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Just who is it that can prevent a **railroad strike** —and how can it be done?. . . . . p. 36

April 22, 1963

RAILWAY AGE WEEKLY

'WORLD'S LARGEST'

Tank car holds 50,000 gallons
p. 12

PUZZLE

How engineers solved tough PRR branch-line problem
p. 14

PRICING

Rate modernization in France
p. 16

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Tight materials management: What it can mean to profits
p. 24

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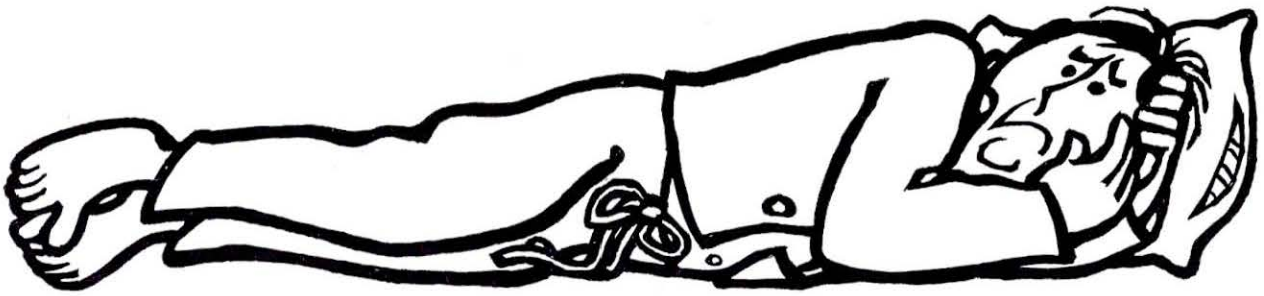

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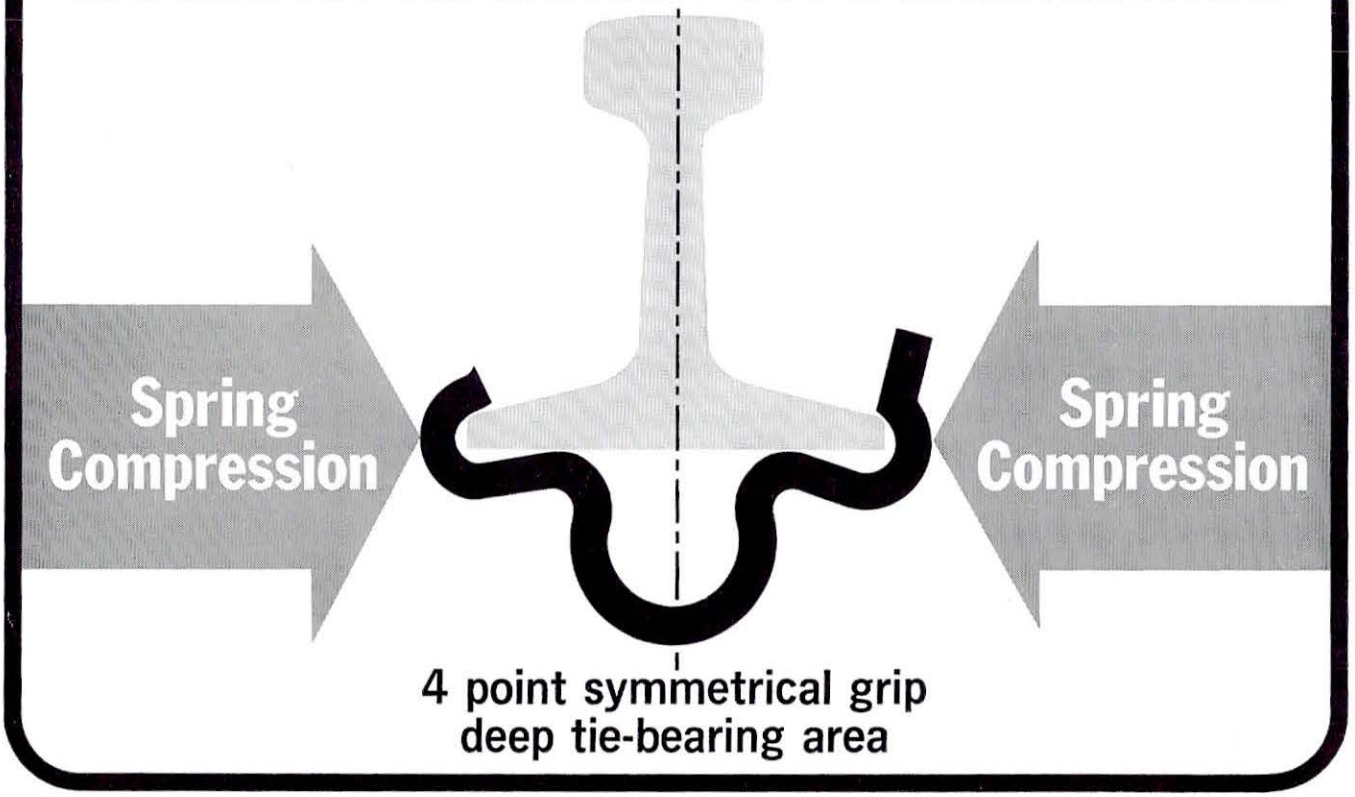

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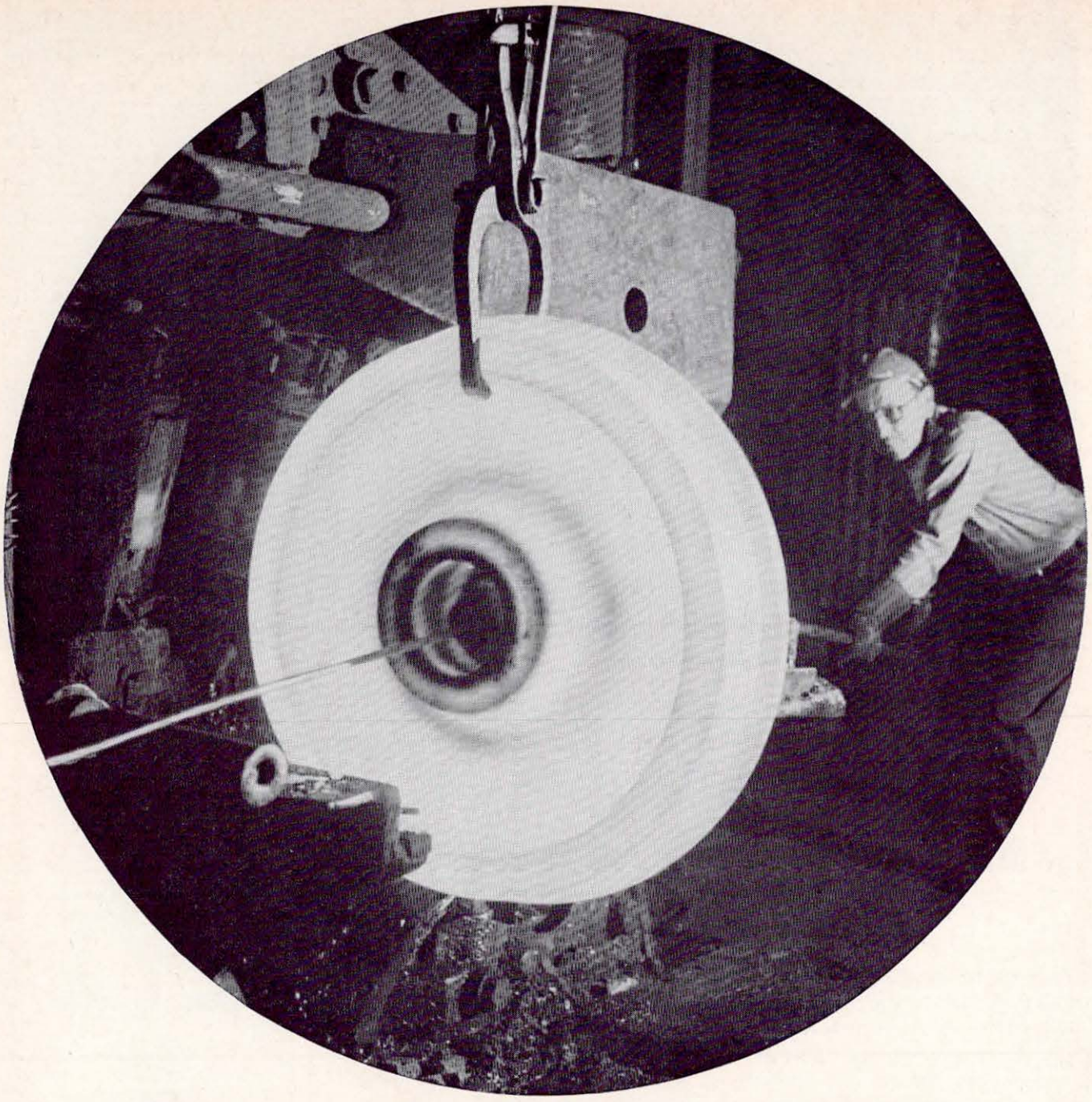

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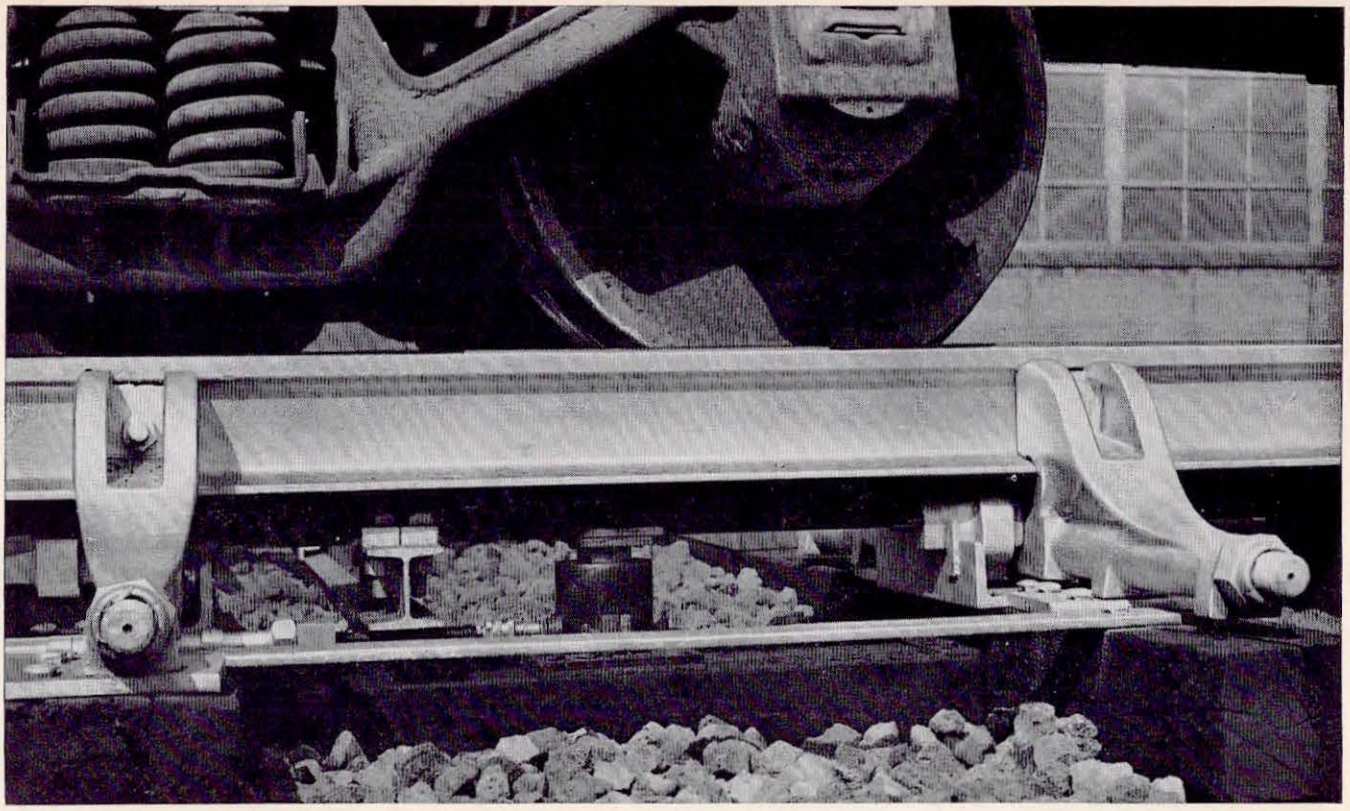
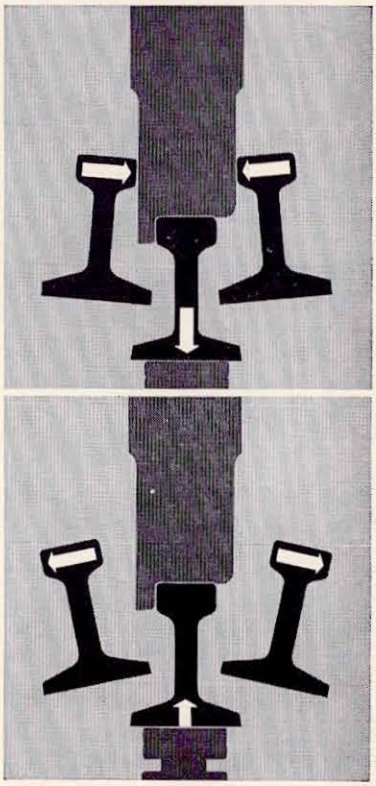


New, economical solution for stop and release car handling



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RAILWAY AGE WEEK AT A GLANCE

April 22, 1963 • Vol. 154, No. 15

Rules mediation begins

A "no nonsense" emergency board has set a negotiated settlement as its goal following its chairman's blunt warning that a work stoppage won't be tolerated.....**p.9**

Union Tank builds 'largest' tank car

The 50,000-gallon-capacity car, says its builder, "was built to permit lower rates because of the economies of handling fewer cars for a given amount of the product shipped"....**p.12**

Tough branch-line problem is solved

Construction of a six-mile PRR spur provided more problems than anticipated—but imaginative puzzle-solving kept costs down and minimized future maintenance costs **p.14**

France modernizes its freight rates

The goal of the revision is to make French rail rates more effectively competitive and to promote a more economic division of traffic between rail and highway.....**p.16**

Examiner favors N&W-NKP tie

The favorable recommendation now before the ICC carries one major condition—that the PRR give up its financial interest in the roads involved **p.22**

Materials management: key to profits?

New profit-oriented concepts, and how they can be worked into traditional railroad purchasing and stores operations, were analyzed at a recent RSMA session in Chicago.....**p.24**

'Big John' wins big in court

In a decision on the Southern's "Big John" grain rates, the U.S. Supreme Court has ruled that the ICC has exclusive power to suspend tariffs.....**p.30**

The Action Page—Who wants a strike?

The time to prepare to meet a crisis is before the crisis arrives. What precautionary measures is the federal government taking to avert a possible general railroad strike?..**p.36**

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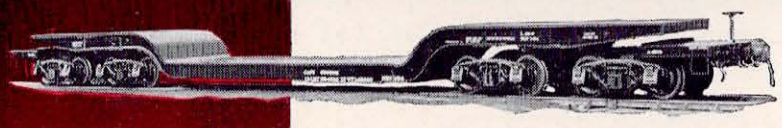

BUCKEYE EIGHT-WHEEL TRUCK INSTALLATION ON 175-TON CAPACITY DEPRESSED-CENTER CAR

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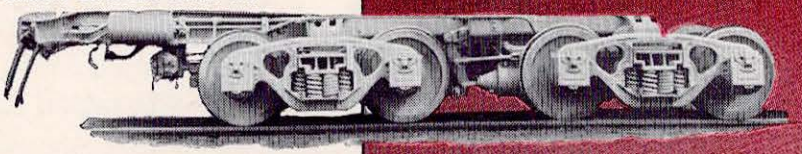

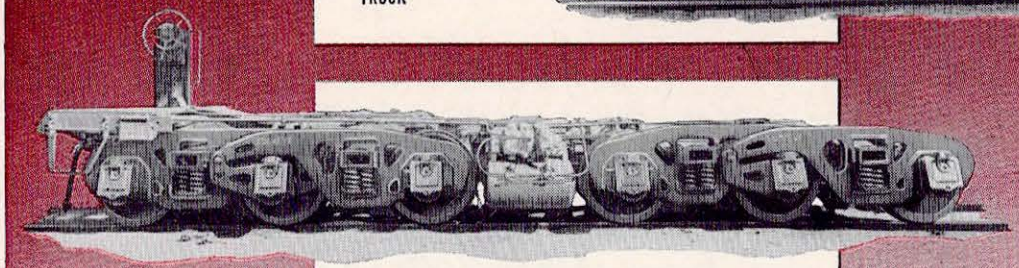

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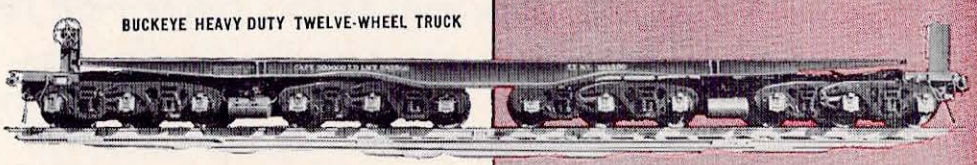

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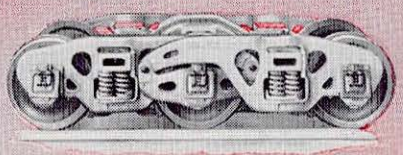

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RAILWAY AGE WEEK AT A GLANCE

Short and Significant

Oregon's 'excess-crew' law . . .

remains on the statute books. Under heavy union pressure, the state Senate defeated railroad-backed efforts to reduce the number of brakemen on freight trains from three to two.

The ICC has scheduled hearings . . .

on a petition by the Rock Island Motor Transit Co., a Rock Island subsidiary, to operate as a full-fledged common carrier in five states in which it has operating rights.

Radio remote-control equipment . . .

will be installed by du Pont on two additional switchers following successful tests of an initial installation (RA, Jan. 28, p. 32). Supplier is Union Switch & Signal.

Self-service baggage carts . . .

have made their first appearance in the New York area. Grand Central Terminal introduced the carts last week for use by New York Central and New Haven passengers.

Curbs on bootleg trucking . . .

are proposed in two bills before the Texas Legislature. One would enact into Texas law federal measures dealing with private trucking. The other involves safety practices.

Monon proxy battle . . .

was won by management last week when insurgent stockholders failed to elect six candidates to the board of directors. Management's slate of 11 won by a vote of 224,682 to 82,890.

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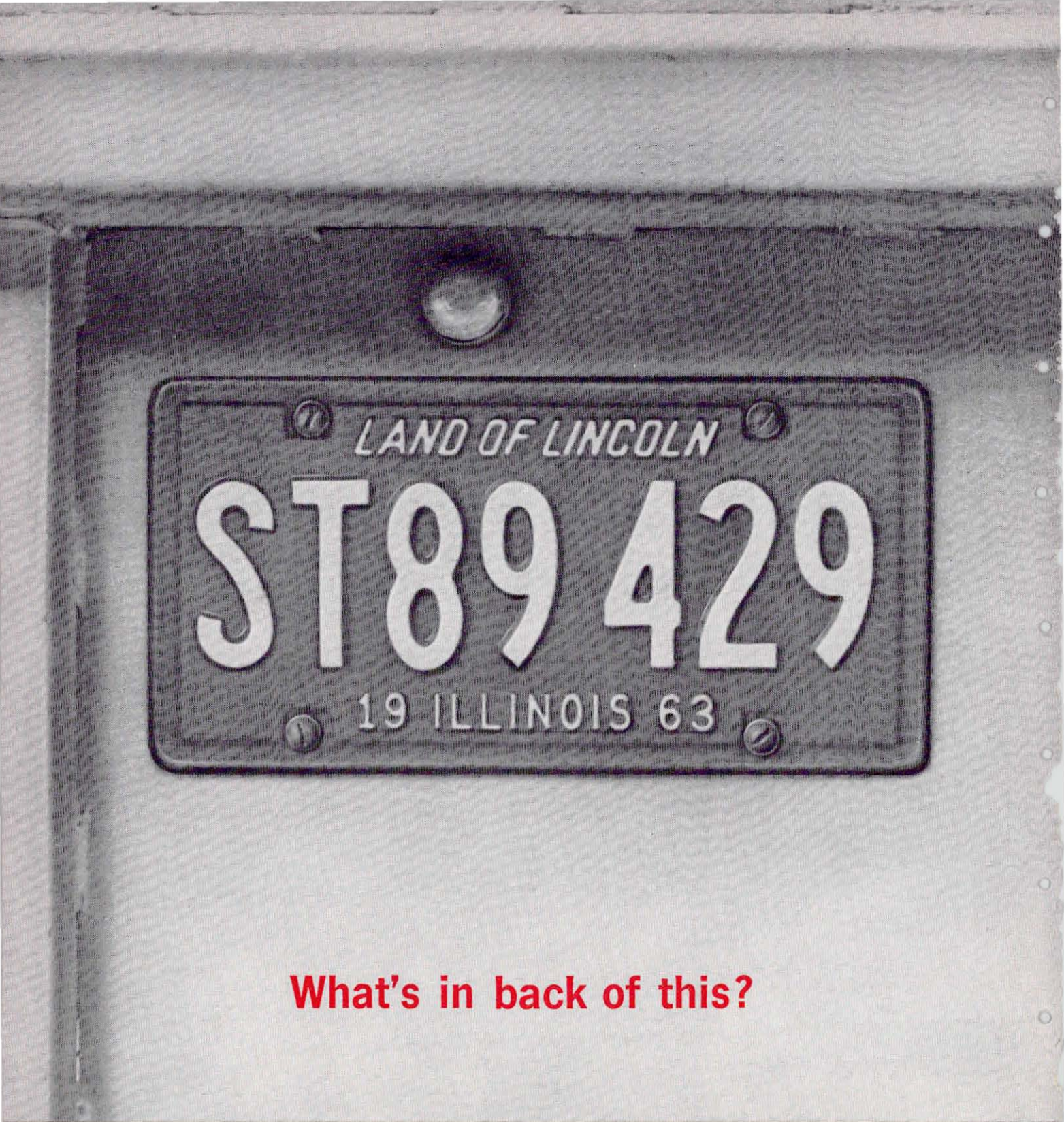
Current Statistics

Operating revenues		**Carloadings revenue freight**	
12 mos., 1962	$9,439,894,771	15 wks., 1963	7,702,588
12 mos., 1961	9,187,122,899	15 wks., 1962	8,004,602
Operating expenses		**Freight cars on order**	
12 mos, 1962	7,418,555,063	March 1, 1963	19,952
12 mos., 1961	7,271,159,800	March 1, 1962	17,736
Taxes		**Freight cars delivered**	
12 mos., 1962	905,083,609	2 mos., 1963	5,519
12 mos., 1961	991,555,905	2 mos., 1962	4,818
Net railway operating income		**Serviceable cars**	
12 mos., 1962	725,645,679	March 1, 1963	1,416,368
12 mos., 1961	537,694,880	March 1, 1962	1,459,356
Net income estimated		**Cars awaiting repairs**	
12 mos., 1962	574,000,000	March 1, 1963	128,286
12 mos, 1961	384,000,000	March 1, 1962	140,470



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Rules Mediation Begins

Emergency Board 154 has started its last-ditch effort to end the four-year-old work-rules dispute. Its aim: To bring the parties into a negotiated settlement of the complex issues.

With an obvious determination to succeed where all else has failed, the Rosenman emergency board is plunging immediately into mediation of the work-rules dispute.

Indications are that the three-man panel's aim is to brush away the cobwebs clinging to the four-year-old case and then to knife through to the heart of the situation. First impression of the board, as one observer put it, is that this is "strictly a 'no-nonsense' emergency board."

● **Scene shifts to Chicago.** After a brief public meeting in Washington April 11, the board headed into closed sessions with the parties. A second round of meetings was held April 12, and the board then recessed, to resume April 17 in Chicago.

By mutual agreement, April 11 was set as the first day of the board's life—which means that, under the law, a report is due in early May and the subsequent 30-day cooling-off period will end June 9. It's considered likely, however, that the board will use the full 60 days (if necessary) for its mediation efforts—and that no extension will be requested unless gains are being made. (An additional 30 days would shove the end of the cooling-off period back to July 9—ironically, the day after the 38th convention of the Brotherhood of Locomotive Firemen & Enginemen is scheduled to open in St. Louis.)

● **Top negotiators attend.** Chief executives of four of the five operating brotherhoods were on hand for the board's opening meetings (and the fifth chief, BLF&E's H. E. Gilbert, cut short a vacation to join in the Chicago talks last week). Carrier negotiators were headed by J. E. Wolfe, chairman of the National Railway Labor Conference.

Judge Samuel I. Rosenman, chairman of Emergency Board 154, told both sides at the outset that the railroad industry "has had a good record of peaceful collective bargaining. It is unthinkable that that record be broken in a year in which the parties are finally coming to grips with some of their basic problems."

● **'View with dismay.'** The nation's economy, he declared, "cannot tolerate the consequences of a work stoppage in this industry. The American people view such a prospect with dismay. They

Grim expressions of members of Emergency Board 154 reflect the seriousness of the task before them. Left to right are Clark Kerr, Judge Samuel I. Rosenman (chairman of the board) and Nathan P. Feinsinger.

Union leaders watch intently as sessions begin. Left to right, R. E. Davidson, BLE; Charles Luna, BRT; L. J. Wagner, ORC&B; J. L. Shattuck, BLF&E; N. P. Speirs, SUNA. At front table, left center, is J. E. Wolfe, NRLC.

WATCHING WASHINGTON WITH WALTER TAFT

TAFT

• **THREE MEMBERS OF THE ICC** have been on the hustings recently with speeches calling for compromises on transport legislation and for more intermodal coordination, and refuting charges that there is undue "regulatory lag" for which the Commission is responsible. The advocate of compromises is Commissioner Clyde E. Herring who told the West Michigan Chapter of Delta Nu Alpha, the transportation fraternity, that they must be arrived at if Congress is to enact legislation to keep the regulatory climate "in tune with the changing times." The call for more intermodal coordination came in a speech made by Commissioner Ruppert L. Murphy before the Southeastern Association of Railroad and Utilities Commissioners. And the answer to criticism of the "regulatory lag" came from Commissioner William H. Tucker, who spoke before the Sixth Annual Transportation Seminar at St. Anselm's College in Manchester, N.H.

THE COMPROMISES which Commissioner Herring has in mind "must be arrived at fairly and not at the expense of one mode of carriage against another," as he puts it. He expressed his hope that they will be promoted by "a great compromising force" composed of organizations like Delta Nu Alpha.

MEANWHILE, the Commissioner predicted that Congress will take some action this year on President Kennedy's Transportation Program, which includes the President's call for an end of minimum-rate regulation for the transportation of commodities in bulk and agricultural products. The Commission does not favor this, being on record for the alternative proposal to increase regulation by repealing present provisions of the Interstate Commerce Act which leave water transportation of commodities in bulk and truck transportation of agricultural products free of all regulation.

COMMISSIONER MURPHY also had something to say about this deregulation vs. increased-regulation issue. He recalled that the late Commissioner Joseph B. Eastman, in his role of federal coordinator of transportation, advocated the extension-of-regulation approach. And he went on to say the exemptions have created a situation wherein "full regulation of competing modes of for-hire transport has never been given a fair trial as a means of providing equality in competitive opportunity."

INTERMODAL COORDINATION is "one of the keys to strengthening our entire transportation complex," Mr. Murphy said in calling for more of it. He reported that transport people in other countries often ask him why there is not more coordination here. The Commissioner calls that inquiry "a good question."

COMMISSIONER TUCKER'S SPEECH was a report on his review of the record on "regulatory lag." He found that criticism of the Commission on that basis is not generally justified. While conceding that the Commission, like all similar agencies and courts, has its "mislaid" cases, and that "there is room for improvement" of Commission procedures, the Commissioner nevertheless concluded that correction of those situations would bring only "minor savings in processing times, as compared to the more formidable reforms which can be made by the interested parties themselves."

will insist upon the parties resolving their differences this year as they have in the past, or else they will insist on having those differences resolved in some other way. But not by a strike or lockout."

Later, Judge Rosenman conceded that no set of terms will make everybody happy. But, he said, "in the give-and-take of bargaining, a way must be found to satisfy, if not to please."

• **PRC upheld.** The carriers reaffirmed their willingness to rely on the provisions of the Presidential Railroad Commission's report, submitted early last year. Howard Neitzert, attorney for the railroads, noted that there is "no other light to lead this industry out of the wilderness."

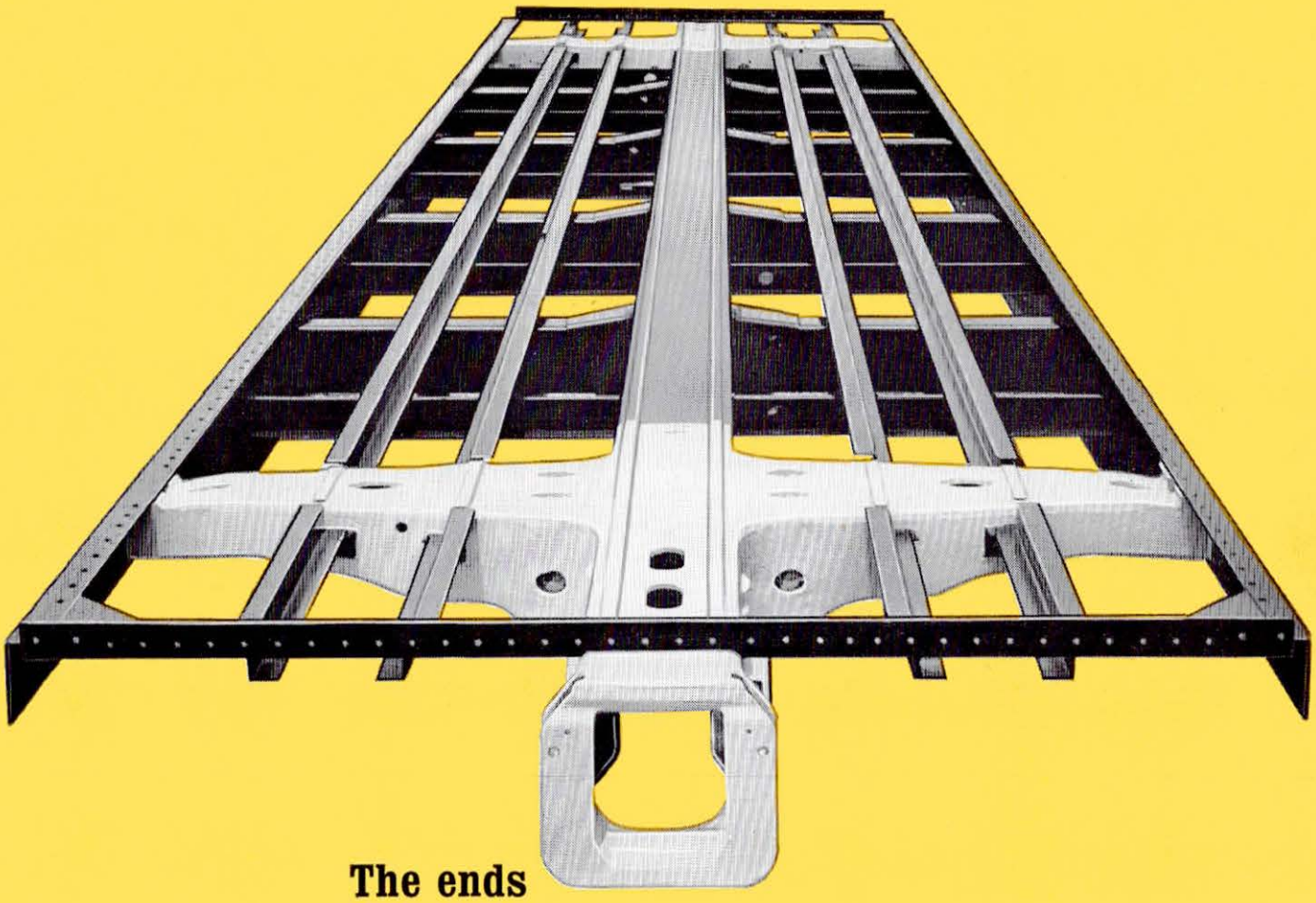
In the past, the brotherhoods have charged that the carriers backed away from the PRC recommendations by withdrawing a rules-change promulgation based on the report and substituting a notice based on the more harsh November 1959 demands after the unions took the case to federal court. Lester P. Schoene, union counsel, also contended that the carriers rejected PRC proposals by refusing to negotiate on them, and that the PRC itself was too tough in its approach to the problem of unemployment on the railroads.

• **Public meetings?** Based on the board's performance thus far, there will be few additional public sessions. Only if evidence must be put on the record or if an impasse has been reached will private mediation meetings be suspended and public sessions resumed, as sources close to the talks see it.

Board 154—Judge Rosenman, University of California President Clark Kerr and University of Wisconsin law professor Nathan P. Feinsinger—is being characterized as a panel of "old pros." President Kennedy created the board April 3, on advice from the National Mediation Board, after the carriers served notice they would implement the November 1959 rules notices one minute after midnight April 8.

• **Fireman is key.** Key to settlement, most observers contend, is the firemen-off issue—and it is perhaps no surprise that the board met separately with BLF&E negotiators as one of its first moves.

But, in four years, the rules dispute has gone through face-to-face talks, mediation, the PRC with its study and mediatory efforts, more mediation and more face-to-face negotiations. It's also gone the route in federal court—up to the U. S. Supreme Court, which found (contrary to the brotherhoods' argument) that the railroads had not violated the Railway Labor Act and that both sides in the rules dispute were free to resort to self-help.



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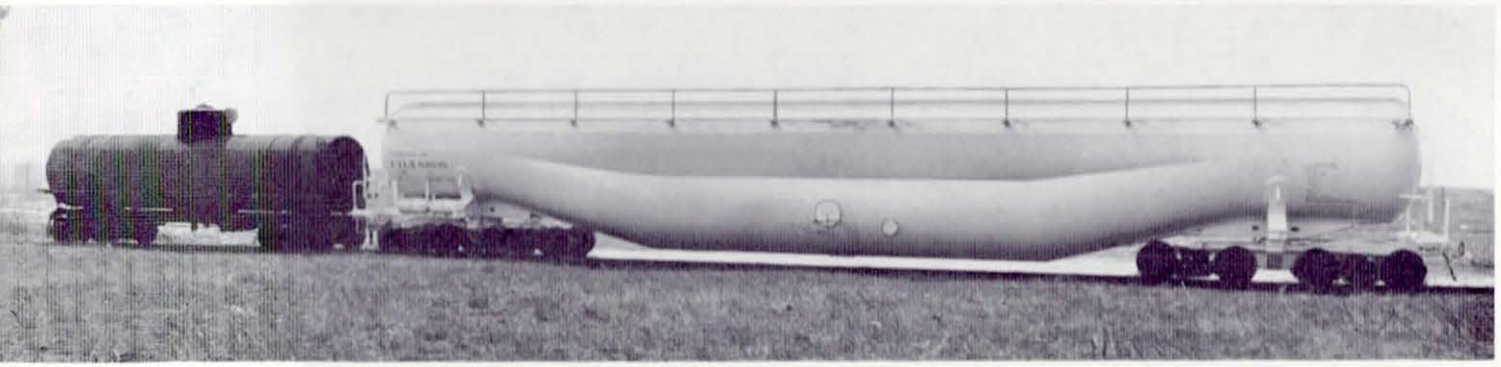

CLEARANCES for regular AAR interchange service are met by gigantic tank car's design.

Union Tank Builds 'Largest' Tank Car

The huge 50,000-gallon-capacity car, non-circular in cross section, was built to permit lower rates 'because of the economies of handling fewer cars for a given amount of product shipped.'

Union Tank Car Co. has built what it calls the world's largest tank car. Non-circular in cross section, the 50,000-gallon-capacity car is 89 feet over strikers. It has a maximum allowable weight on rails of 440,000 pounds.

The new car is designed to carry 200,000 pounds of liquefied petroleum gas or 241,000 pounds of anhydrous ammonia. The car has double 70-ton, standard four-wheel roller bearing trucks at each end. Each pair of trucks is equipped with a span bolster, which carries the coupler and draft gear.

Before the car is released for service it will undergo two series of tests over a period of at least six months. The first series will be performed at Union Tank Car's development laboratory. The second group of tests will be under actual operating conditions. Impact tests will be given to determine the car's strength and durability.

"The car is unique in its field," says D. C. Graves, Union Tank Car's vice president. "In addition to being the first pressure-type car with a non-circular cross section, shaped in the form of a double-bubble, it incorporates several distinctive and exclusive features. These are (1) the first pressure-type car on which all loading, unloading and other fittings (except safety valves) are positioned at mid-point on the car sides and low enough to provide convenient access at ground level. Heretofore, these have always been installed in the manway cover on top of the car. The [new] car can be loaded or unloaded at points where there are no loading racks and without climbing to the top of the tank; (2) the car is the first of its type to be equipped with dual fittings, making it possible to load or unload from either or both sides, and (3) it is the first tank car with two four-wheel trucks at each end."

"The 50,000-gallon tank car was not designed . . . merely for the sake of size," Mr. Graves points out. "Rather, our foremost objective was to encourage railroads to reduce rates to shippers because of the economies of handling fewer cars for a given amount of product shipped."

The car construction follows Union's patented HD (Hot Dog) design, which was incorporated into what was earlier described as the world's largest tank car (30,000 gallons) introduced in early 1960 (RA, Feb. 15, 1960, p.23; RA, May 9, 1960, p.35). The HD design was first applied to a 10,000-gallon prototype tank car in 1957. Following the same design, Union pioneered a 20,000-gallon car in 1958. In all HD cars, the conventional underframe is eliminated by utilizing the structural strength of the car's tank.

The tank design consists of two partial horizontal cylinders, one welded on top of the other. Each comprises about two-thirds of a complete cylinder. At the junction of the cylinders, an internal horizontal plate (with spaced round openings) joins the sides together for the length of the double-bubble. A transition section leads to the circular heads at the ends of the double-bubble. Union Tank Car engineers say the non-circular cross-section results in a much larger tank for a given length than would be possible with a circular tank.

Patents covering the car's tank configuration have been applied for. Union Tank Car says, "The invention makes it possible to produce from relatively thin metal by economical fabrication techniques, a tank car . . . that is operable at relatively high internal pressure . . . and satisfies the regulations covering car size and shape."

Dimensions and Weight of Giant Tank Car

Length of car coupled, ft.-in.	91-7
Truck centers, ft.-in.	67-0
Extreme width (at bolsters) ft.-in.	10-0
Width of tank at center, ft.-in.	9-0
Extreme height, ft.-in.	14-8½
Depth, ft.-in.	Varies from 9 ft at each end over trucks to 12 ft 8 in. at center
Lightweight, est, pounds	175,000
Wheels, dia, inches	33

ALCO receives President's "E" Award

"By developing, manufacturing and exporting diesel-electric locomotives to 15 free world nations, ALCO Products, Inc. is making a notable contribution to the industrialization and economic growth of five continents. In the face of strong foreign competition, this firm's continuing success in the export of American products and technologies around the world reflects great credit upon the management and salesmanship of ALCO Products, Inc."

ALCO "E" Award Citation, U.S. Dept. of Commerce, April 5, 1963

This Award emphasizes the confidence placed in our locomotives by railways overseas. ALCO horsepower in foreign countries totals 3.2 million, making our company the largest exporter of mainline diesel locomotives in the world.

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Tough Branch-Line Problem Is Solved

Construction of a six-mile PRR spur faced engineers with more problems than anticipated—but imaginative puzzle-solving kept the initial cost down and minimized future maintenance costs.

Construction gangs ran into more problems than six miles of railroad ought to produce when work began on a Pennsylvania spur across Maryland's marshes to a new electric power generating plant.

In less than 32,000 feet of line, construction engineers had to contend with:

- A state highway which had to be carried over the track at a point where a normal detour to maintain traffic would have been extremely costly.
- Swampland that wasn't really bottomless—but must have seemed so.
- Extensive borrow, in an area where suitable borrow is hard to find, because much of the excavation in cuts was not suitable for fill.
- Silty soil that created erosion problems on every cut, fill and ditch.
- Wet gray silt—which couldn't be compacted—at grade level in a dozen cuts.

Each of the problems was met in turn—with imaginative (but sound) engineering that kept initial cost down and tried to head off expensive future maintenance. Total cost of the six-mile railroad (exclusive of right-of-way) worked out to $1.8 million—which could be regarded as low, for a job with the complexities of this one.

At the highway crossing, for example, engineers literally built a bridge on the ground—then dug out under the structure to make a right-of-way for the branch line. Because of the topography, detouring state Route 381 would have been a complicated, costly job. So they designed a two-lane, 152-foot bridge that could be built on the existing highway embankment, before any excavation for track construction was made. A very short detour, on the embankment adjacent to the bridge, was all that was required.

Contractors' crews pre-bored for bridge piles, then drove the piles and shaped the ground to the contour of the bottom of the bridge. They spread sisal Kraft paper on the ground, put steel reinforcing rods in place and poured concrete. Finally, they excavated under the structure, drove batter piles and built collision walls—and the bridge was done.

- **Slopes protected.** All that remained to be done was slope protection, to stabilize the embankment and prevent erosion. Here, too, construction departed somewhat from the conventional. Instead of concrete, designers specified a blanket of fiberglas. First, the area was treated with a sterilant to discourage growth of vegetation. Then a 1-inch-thick fiberglas mat was fastened down with 24-inch tee-pins. Finally, the surface was sprayed with asphalt.

TRACK WAS LAID in panels averaging 33 feet long. Panels were assembled in two points at construction site.

Contractors used similar techniques elsewhere on the new line. Three railroad trestles were built at ground level; fiberglas blankets were laid on all ditches where the slope was greater than 5%.

- **Soil problems.** Biggest problem, at almost every point on the line, was soil conditions. The new route leaves PRR's Pope's Creek branch near Hughesville, Md., and runs east to the Patuxent River, where the Potomac Electric Power Co. is building a giant power generating station (to which PRR will haul the coal). It's sparsely populated, swampy country—tobacco country—and its soil consists largely of silty sands, silty clay and silt, deposited over the centuries by the risings and fallings of Chesapeake Bay.

Soil conditions demanded that the entire project be landscaped. All slopes, cuts and fills were seeded and mulched. Ditches with a slope of under 5% were sodded or blanketed with mesh over the mulching to prevent erosion while initial growth takes place.

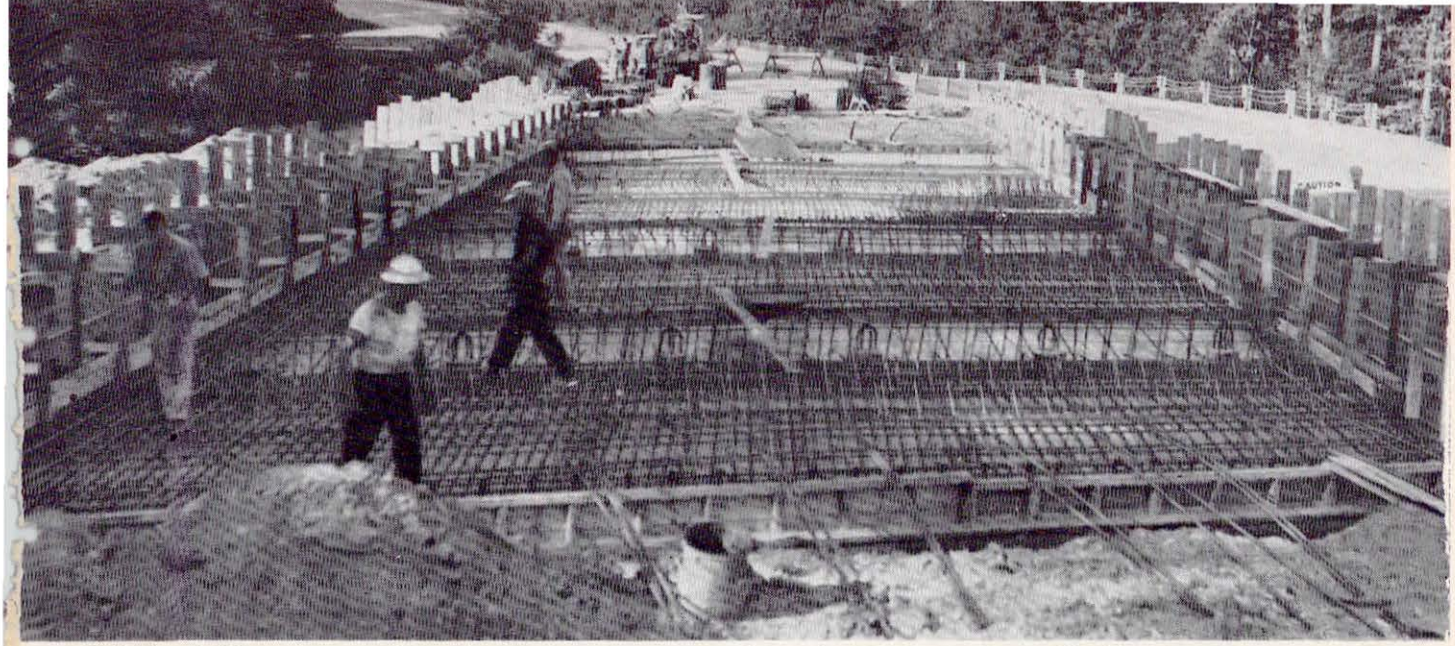
In a dozen cuts, contractors excavated —and found wet gray silt at what would be track level. It had to be mucked out with drag lines. Crews undercut the cuts two feet, then backfilled with gravel (the entire line has a six-inch layer of subballast covered by six inches of stone ballast).

- **Line crosses swampland.** Swamps were still another problem—and the line had to pass through 1,300 feet of deep swamp. Contractors filled the swamp—and, at some points, had a penetration of 45 feet before a point of equilibrium was reached. Relief trenches were dug with drag lines alongside the fills to settle and stabilize the embankments. Test borings were then made to confirm that the fill had reached bottom.

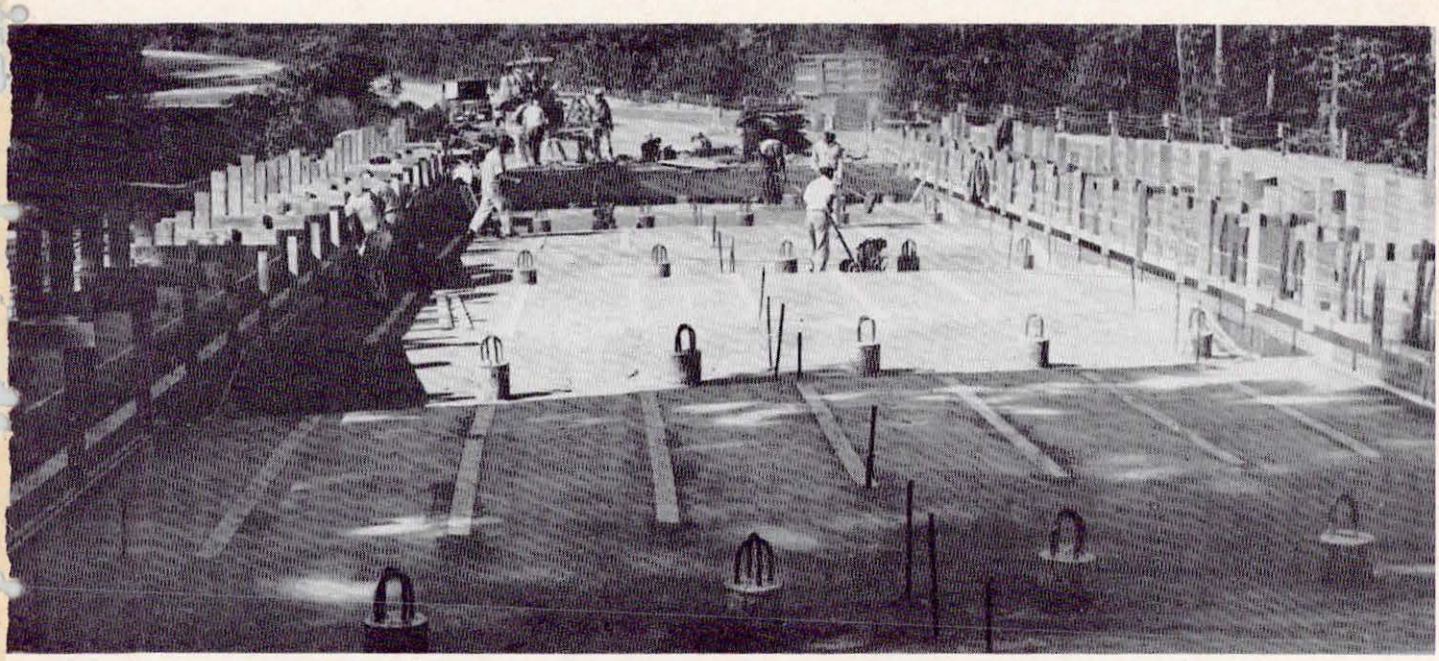
In the six miles, contractors chalked up rather impressive figures, for so-called coastal-plain country—360,000 cubic yards of common excavation, 216,000 cubic yards of muck excavation, 174,000 cubic yards of borrow excavation. Underdrains (eight-inch perforated metal pipe) were installed in several of the wet cuts; more than 4,600 feet of culvert (24- to 120-inch) were installed; all deep cuts were terraced, with 10-foot benches every 20 feet to help catch and drain surface water.

- **Track panels used.** Track was laid in panels, assembled at the site at two points, using 131-pound cropped rail, with opposite joints on tangents and eight-foot staggered joints on curves. Panels averaged 33 feet in length.

Maximum grade on the new line is 1.5%, but only the empties on the way back from the power plant will have to buck that grade. Maximum curvature is 4 degrees.



Building bridge at ground level, construction gangs shaped earth to contour of bridge bottom.



Concrete was poured after sisal Kraft paper was spread on ground and reinforcing rods placed.

Crews then excavated under the structure to provide a right-of-way for the single-track railroad.

France Modernizes Its Freight Rates

French Railways have been progressively revising their freight rates to make them more effectively competitive and to promote a more economic division of traffic between rail and highway.

As costing methods have been improved, freight rates on the French Railways (SNCF) have been brought more closely to conform to costs—replacing the former practice of relating them to the value of the goods hauled. In an innovation effective in October 1962 the principle of "weighted distances" was introduced. Under this program, it is not the actual distance of a haul that determines the freight charge. Instead, the rate-making distance is higher or lower than actual distance, depending on the ease or difficulty of the profile of the sections of railway line traversed. The weighting of distance ranges from 80% to 200% of actual mileage.

This article describing the rate revision and related problems is derived from a paper presented by Louis Lacoste, chief engineer, commercial department, SNCF, at a seminar conducted by the French government's bridge and highway department. The entire French text is scheduled for publication in the "annals" issued by that department.

The French Railway System (SNCF) sells its freight service at prices based on tariffs issued at railway headquarters. These include general rate scales (barèmes généraux) which vary according to the freight being hauled and the conditions of shipment. The rates are applicable all over the country. In addition to these general rate scales, there are special tariffs designed to meet particular situations.

● **Problem.** The theoretical problem lies in giving these general scales the most effective structure possible—that is, a structure such that for each shipment a rate scale will be available which will have the maximum chance of providing "optimum" prices.

For a long time, the railways had but little knowledge of their net cost. Thus they lacked the necessary information for calculating appropriate variations in their scales of rates. At the same time, as a public service, they had considered it to be their economic role to facilitate by low rates the movement of essential products into all regions of the nation, even those farthest removed. The cost of this low-priced service was recovered by high rates on products which could bear such charges.

As a result of this practice, there was a high degree of variation in charges, depending on value of products—rates being equalized as between various routes, and not varying greatly according to conditions of shipment (e.g., load per car, or even in multiple-car quantities).

But changed economic conditions, and studies of railway costs which took on greater precision, directed attention to the imperfections of this kind of rate-making, which was causing losses to the SNCF and to the entire economy of the French nation. The fact is that abnormally high rates impede development of trade in products bearing such rates, and below-cost rates encourage abnormal development of unprofitable traffic. In either case, a loss results.

At the same time, the railways' competitors, free to make any rates they chose and to select their traffic, took pains to pick out the particular movements that would be most profitable to them. The traffic they chose was usually that on which railway rates were abnormally high. On the other hand, even when these competitiors were favorably located, they could not bid for traffic that the railways were moving at unremunerative charges. All in all, the old tariff structure did not induce shippers to route their traffic to bring the best solution for the economy as a whole. The SNCF moved, therefore, toward adapting rates to correspond as closely as possible with costs.

● **Cost considerations.** Just what does cost-determined rate-making involve? Does it mean calculating the cost of each movement and pricing the movement to correspond to this cost? This question leads to another: Just what costs do we have in mind?

ELECTRIFICATION is being pushed by

A transport enterprise has, of course, to try to make its total revenues at least equal its total expenses. Therefore, in making rates, total costs have to be borne in mind. But total costs include fixed costs—and fixed costs have to be allocated among diverse shipments in a rather arbitrary manner. It is not economic to set rates on such a basis as this. To make rates, one has to begin with that part of expense which is directly connected with rendering the service in question—that is, one has to begin with marginal cost.

Then what can be done to recover the constant or fixed costs? These costs must be divided among the various products transported in order to:

- Assure that total revenues of the enterprise cover, at least, its total expenses; and
- Make the allocation of the fixed expense to each traffic of the enterprise in a manner to induce patrons to make their choices on economic grounds. This objective is realized if the contributions to constant expenses which are assessed upon the various alternatives are equal, i.e., if the difference between the various tariffs is the same as the difference between marginal costs.

As to traffic for which alternatives are not available, there is no strict economic measure of the proper amount to be levied as a contribution to constant expenses. Here the only test to apply is the need to attain financial equilibrium between total revenue and total expense for the enterprise as a whole.

● **Gradual change.** The railways recognized that abrupt and radical changes in tariffs are undesirable. This follows from the fact that location of producing plants and systems of marketing have been established in reliance on

the French railways as actively as rate revisions; here, a 1,500-volt d-c locomotive is hauling SNCF freight.

customary transportation charges. The SNCF cannot establish radically new rates, therefore, without some forethought and moderation. Otherwise, some large industrial investments might be rendered useless, and the economy as a whole might suffer. The "traditional" quality of railway tariffs is, therefore, an economic fact that must be confronted—and railways must evolve their tariff changes slowly.

The first important step in tariff reform was taken in 1947. Before that date, the relationship of rates to the loading per car was far removed from the attendant cost factors. Lightly loaded cars were rated too low and charges for well loaded cars were too high.

This relationship was modified in 1947 to give greater weight to comparative costs. Commodities were reclassified for rate-making purposes—the classification being based on the specific loading possibilities of the commodity in cars in current use.

'Ceiling-floor' limits

The ensemble of all tariffs applicable to a given minimum rating-tonnage in carload traffic was restricted at the top by "ceiling" scales, reflecting the price level which conditions would not permit to be exceeded—and, at the bottom, by "floor" rate scales, reflecting the added costs of the particular transportation services to be provided.

● **Special tariffs.** Several years later the SNCF revised its specialized tariffs (tarifs de règlementation). These tariffs represent reductions from, or increases to, the normal tariffs applicable—depending on departures from normal service which the patron may desire, and which either add to or subtract from the normal expense of the service.

For example, if shippers send out their shipments by the trainload—made up by the shipper on his private sidings, with the trains being the largest that can be handled on the routes to be used—then the railway gets the advantage of the most economic use of its motive power and saves the expense of intermediate yard handling. In such cases, the railway makes reductions from the regular rates, varying them in accordance with the tonnage of the trains and regularity of shipments.

When an industry installs its own sidings at its own plant, whence it receives and dispatches its freight, the SNCF makes allowances in its charges to reflect the saving in terminal facilities which the railway would otherwise have to provide.

When a shipper uses privately owned freight cars, the railway makes a corresponding reduction in freight charges, which vary with the kind of cars the shipper provides (e.g., relationship of net to tare).

When a shipper has a consignment that involves problems of clearance, the railway levies surcharges to recoup the costs of special equipment or special routing, which such outsize shipments require. Also, if a shipper wants his shipment moved in a special train—or if the nature of the shipment requires such special service—a minimum charge is made, to make sure that the added cost of an extra train is recovered.

Thus "tarifs de règlementation" represent corrections, upward or downward from regular charges, to reflect the changes in costs which such variations entail.

In this way, customers are encouraged to exercise a rational choice among the different kinds of available service—and are offered inducements to lead to practices which will increase the railway's efficiency by maximizing the loading of motive power and rolling stock, duly considering the conditions in the shipper's own business.

● **Distance equality.** After recasting its "tarifs de règlementation," the SNCF tackled another problem—that of the equality of charges by distance, regardless of whether the route used was one of high costs or low costs. That is, the SNCF was charging for a carload of a certain commodity the same rate for the same distance between all stations in the country. Such charging is easy to apply, of course, but it departs widely from actual transportation costs—which vary greatly from one route to another.

Rates keyed to routes

It was, therefore, decided that rates must be made to reflect differences in costs, as between various routes. The law of July 5, 1949, followed by the decree of November 14, 1949, made this changes in pricing obligatory upon the SNCF. A first step in this rate revision was accomplished in 1951 by applying "station indexes." What this means is that an index number was assigned to each station, varying with the traffic volume it handled. The sum of the indexes of the originating and terminating stations was considered as describing the relative quality of the route over which the commodity in question was to move, and this index indicated the particular rate progression to be applied.

This indexing was based on the observation that, in most cases, routes connecting important stations had more traffic and lower unit costs than routes connecting unimportant stations. Thus, the index served to reduce or increase the rate to reflect the high or low cost of the route employed. But, of course, this measure of relative costs of different routes was only approximate.

● **Sectional costs.** Now a more refined solution to this problem has been developed, i.e., a method whereby rates are made to vary according to the rela-

tive costs of each section of line over which a given shipment moves.

To establish this system, it was first necessary to ascertain the basic costs of movement on each section of line of the SNCF. The purpose of this cost study, of course, was not to determine costs in any absolute sense—but only cost relationships between different sections of line, so the rates could be varied to reflect cost differences. Thus, for this study, only marginal costs had to be included in the calculations. But, to establish an equitable relationship between costs of electrified and non-electrified lines, capital charges on overhead electrical installations were added to marginal costs.

In calculating costs of one section of line, compared with another, only permanent and geographical factors (essentially, differences in profile) were taken into account. Temporary factors, such as the particularly high efficiency of a certain type of motive power in a given area, were not considered. Also, in making these calculations, they were made only on a basis of diesel or electric traction (although present operation might be by steam). In other words, the SNCF was "costing ahead" in the study, not applying historical costs.

Once the relative net cost of operation on each section of the railway's lines had been determined, the relative net cost applicable to each section was assigned a "coefficient of weighted distances," varying from 0.8 to 2, and the actual kilometrage of the section in question is multiplied by this coefficient. Thus, a section of 100 kilometers with the lowest operating costs might have its length counted as low as 80 km for rate-calculating purposes. On the other hand, a 100-km section of the highest operating costs might have its length put down as high as 200 km in applying freight charges. However, in such cases, to avoid too great an increase in rates, the increase in the rate-making distance is limited to 30% of the former rate-making distance.

The proper rate scale applicable to a commodity is determined, and the kilometrage on which charges are levied is the sum of the weighted kilometers of the various sections of line comprising the route the shipment will traverse.

Electronic computers have been used to calculate the weighted distances between each pair of stations in the entire country, and these calculation have been issued in printed form.

Rate reform has not stopped with this rationalization of distances, but has also included changes in the "shape" of the various rate scales in use. The most recent studies of costs have also entered into the changed shape of the rate scales, since these studies indicated that the old scales have failed to cover costs for short distances and have been more profitable than desirable for the longer hauls.

FREIGHT-CAR FLEET of SNCF numbers well over 300,000 units; average load per car went from 16.1 tons in 1959 to 16.8 tons in 1960.

Finally, the desirability has been recognized of reducing the spread (but only to a moderate degree, at this stage) of the differences in rate scales which are attributable to the kind of freight being hauled.

The new tariff reform is, then, a most complex operation. It has sought to develop greater realism in transport pricing (1) by differentiation according to the character of the route employed, (2) by applying suitable "taper" in charges for longer hauls, and (3) by changes in that part of the charge which reflects the nature of the freight being hauled.

● **What consequences?** Many questions arise as to foreseeable consequences of this tariff revision. The first of these questions is the effect the revision may have on the allocation of economic activities in various sections of the country. Some have feared that the new rate formula may interfere with industrial decentralization, by overcharging movement on secondary lines.

Not done haphazardly

This fear is not well founded. Indeed, it is not the goal of decentralization to locate new industries haphazardly anywhere in the country, e.g., in the most remote mountain regions. It should be the aim to encourage industrial development in zones (numerous in France) where natural conditions favor such development if it is not impeded; but not to try to stimulate inappropriate productive activities just anywhere at all.

Nevertheless, in some cases there are industries and other installations already located, with their traffic well developed, on railway lines with high operating costs. Sudden application of the new tariffs with their "weighted distances" would gravely endanger such enterprises. There would be an element of injustice in this—since those who established these businesses could not, at the time, have foreseen such a rate revision as this one. Accordingly, measures have been taken to apply the new rates by transitional degrees in such cases.

Another problem which arises from the new railway rates is the division of traffic among the different modes of transport. The foregoing explanation of the new rates, while abbreviated, certainly indicates that the SNCF has sought to establish a rational equilibrium in its pricing, but without considering, case by case, the habitual pricing practices of competing transportation. It is believed that this approach is desirable and that it will better serve the economy of the nation than the situation where rates have been far removed from costs and when rates to hold traffic to the rails have been provided in special competitive tariffs—the number of which was rapidly becoming excessive. In other words, the SNCF, by its tariff reform, aims to provide the nation with a genuine tariff mechanism.

This doesn't mean that perfection has been attained and that the end of railway tariff evolution has been achieved. There are other problems that have not been solved. Among them is the availability of return loads or the necessity of hauling cars empty in one direction. Then there's the matter of seasonal variations in the demand for transportation, or its regularity. The field is open for new studies, without again having to question the results already obtained.

● **Effect of Common Market.** The problem of railway rates will soon come under the direct influence of the transportation policy which the European Economic Community will apply throughout the Community. Important decisions on this subject, not yet determined, will have important repercussions on railway rate-making.

For example, in the limited domain of the Common Market in coal and steel the application of the Treaty of Paris brought the following action:

● Termination of discriminatory rates and sustaining tariffs (tarifs de

soutien), i.e., a move toward rational reorganization of rates from the viewpoint of Europe as a whole, rather than from that of individual nations.

- Termination of rate breaks at international frontiers, establishing in their stead special tariffs for international traffic, according to it rates comparable to those charged for intranational movements.

The purpose of these measures was to make sure that transportation would not interfere with effective operation of the Common Market in coal and steel. Rates were constructed entirely from the viewpoint of the customers, in such a way that, for them, traffic moves on the several national railway systems just as if they were completely integrated at the level of the European Community. But the railways are not so integrated—and a shipment moving on three different railways entails costs which are higher than a similar shipment moving on only one railway system. Coal and Steel Community rules have resulted in reduced revenues for the railways systems of the six nations in the Community—without offsetting reductions in expenses.

The same principles could hardly be allowed dominance in the much more inclusive European Economic Community—the financial repercussions on all freight traffic would be much too serious. At the same time, it is important to note that the Coal and Steel Community has not yet succeeded in subjecting highway and river transportation to the rules it applies to the railways.

From the point of view of ratemaking the essential questions are the following:

- Will competition between transport modes be organized and controlled or will it, on the contrary, be entirely free, both as to international and intranational traffic?
- In each country will carriers have freedom in their commercial operations, as other industries do, or will their tariffs be subject to strict control by the governments involved?
- Will the traditional obligation of the railways to provide full common carrier service (accepting all traffic and without discrimination) be continued or moderated?
- Will each means of transportation be required to publish all its rates (with their application subject to strict policing by the government) or, on the contrary, will carriers be permitted to enter into unpublished contracts with individual shippers (applicable to the larger part of the tonnage moving), and reducing published tariffs to the minor role of serving simply as a catalog of maximum charges?

Answers to these questions are up to the public authorities.

RAILROADING AFTER HOURS WITH JIM LYNE

SHOULD OLD TIMERS KEEP QUIET?—Murray Campbell, retired B&O VP (and, as I get it, now one of the leading citizens of his original home town, Manchester, Vt.) tells me he is "resisting the temptation to stick his nose into the railroad business."

LYNE

I'm not sure I agree that retired people should abstain from "verbal railroading," which has always been the favorite pastime of railroaders, active or inactive. In the first place, I don't believe they *can* quit, even if they want to. And, secondly, retired people have more time to meditate than do people on the active payroll. If they'll keep up with the news, I don't see why their judgment on current questions shouldn't be as good as ever (and maybe better, seeing as how they have more time for study and contemplation). I believe most retired railroaders are unduly reticent in expressing their opinions.

NOT EASILY DISHEARTENED—In proclaiming Sir Winston Churchill an honorary citizen of the U.S., President Kennedy recalled the dark days "when most men save Englishmen despaired of England's life." Churchill was, of course, the leader among that faithful breed of Englishmen that refused to give up, whatever the odds. There are railroaders today whose feeling about their industry closely parallels that of Sir Winston toward his country, back in the early forties. All power to them!

THE RED-FACED SCRIVENER—CPR's GFA Watts is one of several friends who called attention to the slip of the typewriter in our April 8 issue (p. 72) where President N. R. Crump was assigned to the CN instead of the CP. Just another one of those occasions when a railroad scribe thanks his stars that he's not a train dispatcher.

For some strange psychological reason that I don't pretend to understand—transferring people's railroad connections to a neighboring railroad is a rather frequent malady of railroad writers. In my early days around this shop, I wrote up a whole long list of (as I recall) C&O appointments and ascribed them to the N&W. The railroads concerned were not especially happy about the error, but they were generous enough not to demand my scalp.

RATES AND COSTS—Loyd Kiernan (alumnus of IC, AAR, and B&M) calls my attention to a number of cases of reduced revenue per ton and per ton-mile which have not been accompanied by proportionate reductions in operating costs. Where this situation exists, of course, it has to be corrected.

I know of many instances where charges *have* been reduced (e.g., through "incentive" rates) and have been more than offset by reduced costs per ton and per ton-mile. Present conditions in the railroad business are providing about all the incentive that anybody could ever expect, to encourage intensified study and application of railroad cost information. And it isn't just so-called "historic costs" that are most important either, but rather future costs. Whether true or not, rumor had it that Henry Ford, Sr., used to set the price of his Model T by instinct; and then require his production people to get their costs down below that figure.

BRAKEMAN AND COLLEGIAN—I've been exchanging letters with a very young brakeman, keenly interested in railroading as a career, who is trying to continue his college education, while holding seniority in train service—working all summer long and during school vacations. However, he's running into some trouble from leave-of-absence rules. (And, of course, there have to be rules to keep these leaves within the bounds of reason.)

Some special rules, however, might provide opportunity and incentive for alert young fellows in the ranks to improve their education and thus help keep ambitious youngsters in the railroad business—a goal that should appeal to union leadership as well as to management. As it is now, promising younger men in the ranks sometimes have to be passed over in opportunities for promotion, because of limited schooling.

As a railroader, the fellow with experience and a good education ought to be just about twice as valuable as one who has one of these qualifications but not the other.

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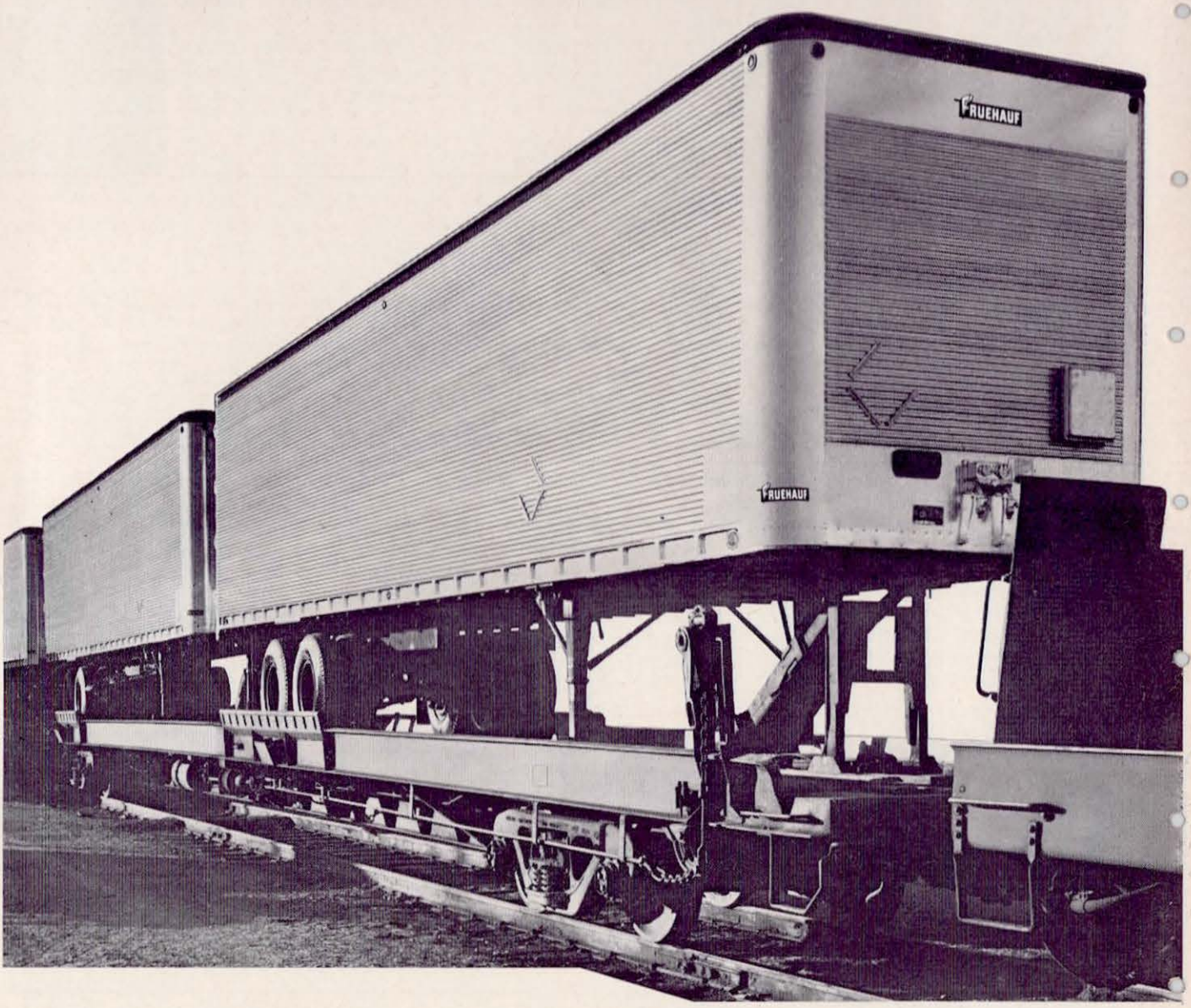

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- Wider, flatter coupler adds capacity, stanchion strength. King pin is mounted in a sturdy casting. Wide surface box members permit coupling from sharp angles.
- Stronger, lighter, two-speed square leg supports are self-lubricated—easier to operate and maintain.
- One-piece rear end—door posts, header, rear crossmember, bumper, light boxes and reinforcements are all welded into a single steel structure of exceptional strength and rigidity. Exclusive Antirax rear door latches* stabilize entire rear end when operating rear into the wind.
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*Fruehauf Patent Pending

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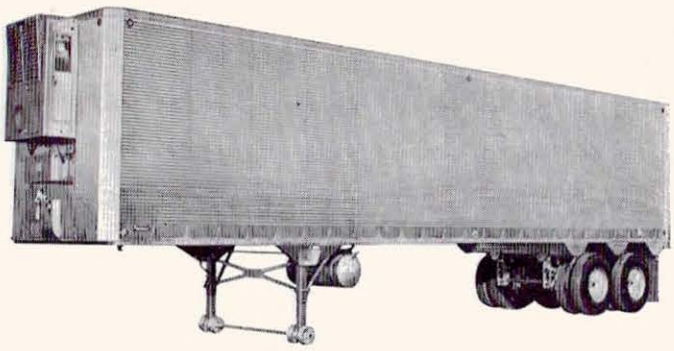

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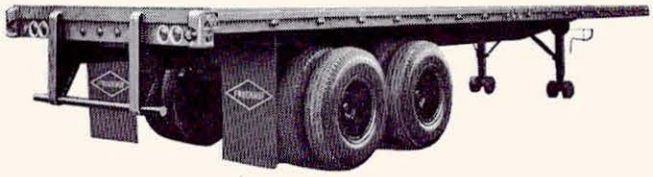

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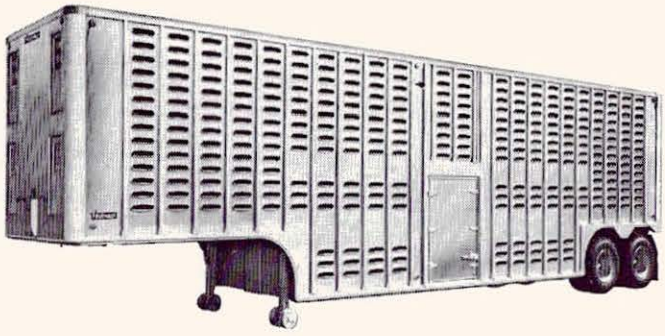

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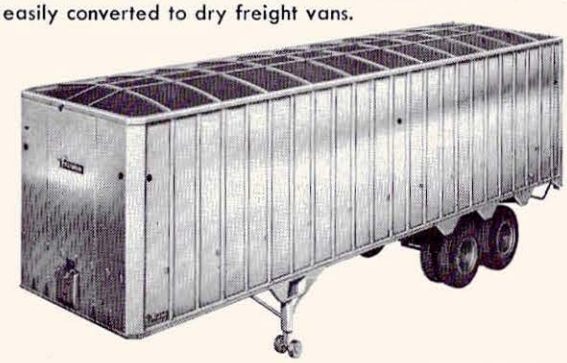

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"ENGINEERED TRANSPORTATION"—The Key to Transportation Savings

N&W-NKP Tie Wins Examiner's Approval

But there's one big condition attached to the favorable proposed report: the Pennsylvania would have to divest itself of its substantial holdings in the railroads involved in N&W's expansion.

The ICC has received from Examiner Lester R. Conley proposed reports recommending approval of Norfolk & Western's plan for building a 7,750-mile system—on condition that the Pennsylvania divest itself of financial interest in the railroads involved. The N&W plan contemplates merger with the Nickel Plate, lease of the Wabash and Pittsburgh & West Virginia, and acquisition of the Akron, Canton & Youngstown and PRR's Sandusky line between Columbus and Sandusky.

The PRR financial interest in issue includes also that of its affiliate, Pennsylvania Co. It amounts to about 32% of N&W's outstanding common stock and some 99% of Wabash's common. The record in the present case does not indicate what PRR's attitude toward the condition may be. However, there is a reference to what PRR said in the other pending case involving its own proposed merger with New York Central. That statement announced PRR's willingness, if its proposed merger with NYC were approved, to transfer its N&W stock to an independent trustee, pursuant to an agreement approved by the Commission, pending its "ultimate disposition within a reasonable time and in an orderly manner."

● **Question of control.** N&W and other applicants in the present proceedings took the position that the disposition to be made of the PRR holdings should be determined in the NYC-PRR case. Meanwhile, N&W contended that it was not controlled by PRR, and that there was no basis in the present record for requiring PRR to dispose of its stock interest.

Examiner Conley disagreed. His consideration of the law and precedents led him to conclude that "Pennsylvania does control Norfolk & Western within the meaning of Section 5 of the Interstate Commerce Act and that this control would extend to the expanded Norfolk & Western operation under the proposals involved herein."

The proposed report went on to impose the condition as to PRR's N&W and Wabash stock which PRR expressed willingness to accept (as to its N&W holdings) in the PRR-NYC case. The proposed condition would require that the stocks be trusteed, and that PRR submit to the Commission a plan "for the orderly divestiture of such stock interests."

● **Protection for competitors.** Moreover, Examiner Conley would have the Commission impose another condition for the period during which the stocks were in trusteeship awaiting consummation of a divestiture plan. This supplemental condition would be designed to protect PRR competitors at the Buffalo, N.Y., gateway, the only point at which railroads, "not members of the Pennsylvania family," could be adversely affected by the proposed unification "and Pennsylvania's interest therein," Mr. Conley explained. The proposed condition follows:

"After consummation of the transactions approved herein, and continuing so long as the Pennsylvania and Pennsylvania Co., or either of them, hold any financial interest in the stock of Norfolk & Western and/or Wabash, Norfolk & Western shall secure, by active solicitation, the routing via the Norfolk & Western unified system and lines of rail carriers serving Buffalo not affiliated with the Pennsylvania, or its subsidiaries, on the maximum of freight traffic moving through the Buffalo gateway to and from points east thereof and transported by the Norfolk & Western unified system between Buffalo on the one hand, and points west thereof, on the other."

● **Employee protection.** Other conditions include one calling for protection of employees not represented by the Railway Labor Executives' Association. N&W entered a labor-protection agreement with RLEA, which remained in the case as a protestant but offered no evidence. The only other opponents were the Charleston, Ill., Chamber of Commerce, and the Four-Cities Committee, composed of residents of Charleston, Granite City and Madison, Ill., and Frankfort, Ind.

Railroad interveners withdrew on the basis of agreements reached with N&W. These interveners included P&WV, AC&Y—now parts of the proposed new system—and Erie-Lackawanna, with which N&W has agreed to enter negotiations looking toward some form of affiliation.

Another intervener was the Department of Justice, which favored requiring PRR to divest itself of its N&W and Wabash holdings and consolidation of the case with PRR-NYC and the case involving Chesapeake & Ohio's application for authority to acquire control of B&O, which has been approved by the Commission. The examiner disposed of this merger-of-cases issue by saying that, with the conditions he would impose, the present case "will be completely divorced from the other unification plans in the East and the interdependence of the instant proceedings with the PRR-Central merger case will be eliminated."

● **$27-million savings.** The 7,750-mile system which Examiner Conley would have the Commission approve would include the 2,747-mile N&W, the 2,170-mile Nickel Plate, the 2,423-mile Wabash, the 171-mile AC&Y, the 131-mile P&WV, and the 108-mile Sandusky line. Annual savings of $27 million a year are expected to result within five years after the proposed transactions are consummated.

Stock exchange

Under the merger plan, Nickel Plate would be merged into N&W, which will survive and continue its existence as a Virginia corporation, and under the name of Norfolk & Western Railway Co. Each outstanding share of Nickel Plate common stock would be converted into 0.45 of one share of N&W common. N&W would assume all rights, powers, franchises and liabilities of Nickel Plate.

The number of directors of N&W would be increased from 14 to 18, and the new board would consist of four from the Nickel Plate, two from the Wabash, plus 12 present N&W directors.

As to the Wabash, N&W sought authority to acquire control through ownership of stock at any time six years after the lease became effective. On the other hand, the initial term of the proposed lease is 50 years. Examiner Conley would have the Commission approve the lease but deny the request for authority to acquire the Wabash stock —"without prejudice to the filing of new applications for such authority if, as and when the parties are prepared to go forward with the transfer of control of Wabash."

● **Pricetag.** Under the lease, the initial annual rental for the Wabash

would be $7,125,000, with provision for an increase if annual dividends on N&W common stock rise above $5 per share. From the seventh year on, the net annual rental would become an amount equal to dividends on 675,000 shares of N&W common. For PRR's Sandusky line, N&W would pay $27 million.

For AC&Y common stock, N&W would pay $6,500,000. Under terms of its proposed lease agreement with P&WV, it would pay costs of operating that road and $915,000 annual rental.

• **Evidence of benefits.** Examiner Conley's favorable recommendation on the N&W-NKP-Wabash phase of the case was based on evidence indicating that the proposed unification would benefit the carriers involved, improve service to the public, promote industrial development, and increase the strength and stability of the three roads. As to the latter, the examiner said:

"Although Norfolk & Western, Nickel Plate and Wabash could continue to provide adequate transportation service by operating separately, the unification proposed would provide the diversification and traffic consist which each now desires and, at the same time, create a combined system which is sounder and stronger than any of the individual lines."

The examiner was also convinced that the curtailment of rail competition would be "slight," and that there would remain in the involved areas "intense competition" provided by "regulated and unregulated motor services, private motor carriers, water carriers and pipelines."

No shipper appeared in opposition, the examiner also noted as he led up to a conclusion that the proposed unification "would benefiit shippers and receivers of freight generally."

Examiner Conley's recommendations that the Commission approve N&W's acquisition of the AC&Y and lease of the P&WV were in separate reports. As to the AC&Y, he said that road "is not only a natural and logical extension of the N&W's proposed system but, in fact, its inclusion therein is an essential ingredient to making the unification consistent with the public interest." In the latter connection, the proposed report went on to say that inclusion "would assure the continuance of AC&Y as an efficient carrier, by affording the unified system access to the important industrial Akron area."

• **P&WV's status 'precarious'.** In his report on the P&WV phase, Examiner Conley said N&W "has clearly fulfilled its obligation . . . of showing that the proposed lease . . . is consistent with the public interest." He went on to say that, as an independent line, P&WV's status "is precarious."

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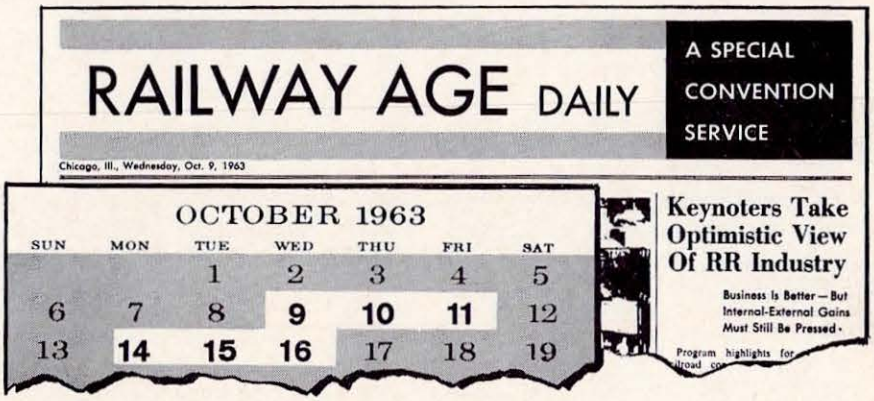
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Railway Age Daily Editions

October 9, 10, 11, 14, 15 and 16, 1963

30 Church Street New York 7, N. Y.

Materials Management: Key

A searching look into present railroad P&S practices—and an examination of a new approach oriented to profits, not costs—highlighted a recent materials-management session at Chicago

The case for incorporating new materials-management concepts into traditional railroad purchasing and stores operations was forcefully presented at a recent Railway Systems & Management Association meeting at Chicago. The RSMA audience heard some plain talk about:

- The need for being profit-oriented in inventory decisions rather than cost-oriented.
- How inventory reductions are possible through aggressive materials-management techniques.
- How a shift of 10% in the cost of materials purchased can, in ordinary manufacturing companies, result in as much as a 50% change in the company's profits.
- The possibility that P&S techniques on railroads might be improved if P&S "manuals, procedures and forms" were thrown away and if P&S officers started reading the books, periodicals and articles—and attending the meetings—that would give them the administrative and managerial skills of general railroad officers.
- How 30-to-one benefits have been registered from adoption of value analysis types of materials management.
- How electronic data processing techniques on the Missouri Pacific have helped reduce inventory about 50% in three-and-a-half years, and how an additional 17% reduction in inventory is contemplated in the next two years.
- How the word "inventory" itself may not be the right word or the right idea for describing railroad stores. Traditionally, to both accountants and tax specialists, "inventory" refers to items currently sold to customers or to items going to be physically incorporated into such products. Rail inventory items really represent an "expense" rather than a "cost."
- A "quicky" materials management formula for profit improvement: "Buy unitized goods—near areas of use—lay down at points of use."

Keynote speaker Ben Heineman, chairman of the Chicago & North Western, described the evolution of the materials-handling function on the C&NW from a departmental responsibility to a regular and systematic obligation of top management. "One of the first things that we did [in April 1956] was to consolidate all aspects of materials management under a director—one man—a director of purchases and stores—reporting directly to the president. It is the president's responsibility to make certain that our major policy objectives for materials management are carried out through the director."

- **Inventory watchdogs.** Mr. Heineman described how the C&NW's system of balancing inventory and turnover results in a monthly summary report (consisting of purchases, outstanding commitments, commitments compared with previous years, plus inventory broken down into turnover both on a current and an annual basis and also compared with prior years). "Both the president and I read these reports—and I believe that our director of purchases and stores will tell you that if there is any significant change in indexes, he gets a call from one or the other of us—particularly if the change is adverse. And in the case of slower moving inventories he hears quite frequently—and if they don't seem to be moving, a top policy meeting is arranged with other department heads."

Job requirements listed

Mr. Heineman went on to outline the undivided materials-management responsibility involved in C&NW's P&S operation: "The functions of materials management are his [the director of P&S]. We hold him responsible for materials management. We don't hold other department heads responsible."

- **The ideal P&S man.** Mr. Heineman described the kind of man needed to head up railroad materials management work as being strong ("If he succumbs easily to the pressures of the using departments, top management never gets the chance to support him"); possessing the utmost in integrity ("He is handling a great deal of money and temptations are not unknown in this business . . ."); and as being both cost and profit oriented. "From our standpoint the director of P&S and his organization make a daily and significant contribution to the net income account. For not merely do they reduce the costs of material handling through a very significant inventory control—but this dollar of cost is a net dollar. It comes right down into the net income account," noted Mr. Heineman.
- **Reciprocity.** Mr. Heineman talked about another, seldom-discussed aspect of purchasing. "Purchases on the North Western had often been, prior to 1956, a function of traffic—or at least closely related to reciprocity. This is something you don't particularly like to talk about, but nevertheless it did exist to a substantial degree. Many purchase transactions were actually closed in the office of the president or chairman of the board of the North Western. To me this is a wrong way to do business. This is an expensive way to do business and, in the last analysis, it seems to me that purchasing and traffic ought to be divorced. Accordingly we have followed the practice—without exception we have followed the practice—of letting our suppliers know that purchases are the responsibility of the director of P&S. They are not the responsibility of the president. They are not the responsibility of the chairman. Neither the president or the chairman will discuss purchases with suppliers."
- **Keeping P&S men informed.** Mr. Heineman told the RSMA audience how C&NW keeps its P&S director posted for best profit and cost consciousness: "If the director of P&S is isolated in his department, if he is not kept informed on matters in departments that are not directly his, if he is not kept to date on the policies of the company—it is very difficult for him to be profit-oriented. Accordingly, on our railroad, once a month we have a detailed slide presentation prepared by our accounting department that takes an hour-and-a-half—and deals with every significant aspect of the railroad. Every department head is required to be present. The president and the chairman participate in every such meeting—and every department head is required to be present—as is the director of P&S. Questions are asked by the president, the chairman and any department head—and the result is that our director of P&S is as familiar with the profit aspects, the revenue aspects, the expense aspects of all departments as anyone else in the organization. This type of communication enables him to not only have the direct feeling of participation, as he should have as a contributor to the overall profit situation, but the knowledge of cost policies, revenue trends and other knowledges are what they ought to be for him

to Profits?

to be cost and profit oriented.

Mr. Heineman concluded with an evaluation: "We believe that on the North Western materials management, organized and administered in the best way we know how, has made an immense contribution to our improving situation."

● **Effect on profits.** William P. Stilwell, assistant director of the University of Wisconsin's Management Institute, told the RSMA audience how the concept of materials management is spreading as a result of widening cost-profit squeeze. He described how a 10% reduction in material expense (for a company spending 50% on materials and which gets 5% profit on operations) would, after taxes, result in a 7½% profit on operations—an increase in profitability of 50%.

Mr. Stilwell described the problem as, increasingly, one that has to be faced by top management. "As executive management looks at this materials management picture it finds that there is no centralized control or common management of materials. . . . They are finding that there are too many hands in this big pie." Mr. Stilwell described the "hands" as engineering, operating, sales, finance, accounting, and purchasing—"all these functions have a hand in the size and flow of the material picture. As a result there is no common management." Mr. Stilwell told the RSMA audience that managements are looking at materials management as a possible answer. "Materials management, simply stated, is the management of the flow of materials through an organization. It brings together under one common management those activities dealing with the flow of materials such as: production planning and control; purchasing; traffic, including shipping and receiving; material and inventory control; stores, and material handling." This function, noted Mr. Stilwell, "fits at the top policy-making level."

"I suggest," Mr. Stilwell advised the RSMA audience, "that you place less emphasis on your purchasing manual, procedures and forms. I might even suggest to some of you that you throw these away and start reading books, periodicals, articles, attend meetings in the administrative and managerial areas. It is this area where the opportunities and challenges exist. The materials management concept revolution is here. For those men and companies who adopt it, the 60's, 70's and the future will bring challenging and profitable years."

'Pay-as-You-Save' Plan Finances Norwegian Tunnel

LEWIS

OSLO.—In Norway, a land of only 3 million people, the importance of the railway is brought out forcibly. With per capita automobile ownership low, main roads winter-locked to heavy trucking, and even waterways blocked with ice, the railroad provides an essential year-round flow for commerce. One important artery is the Bergen Railway connecting Bergen, Norway's second city, with the capital city of Oslo, 307 miles across a major mountain range. The Bergen Railway lifts its trains from near sea level at coastal Bergen to 4,330 ft. at Taugevatan before descending again to tidewater at Oslofjord.

On March 30 I boarded the morning train in springlike weather at Bergen. Some 3½ hours later, and well above the timber line, a swirling snowstorm added new depth to the winter long accumulation of snow. By sunset, reaching Oslo, there were traces of spring again.

The Bergen Railway is relatively new; it was not completed until 1909. Now it is electrified 67 miles east out of Bergen, and 142 miles west from Oslo. Electrification is currently under way on the 98-mile gap now operated by diesels. The Norwegian-built electric locomotives and the Swedish-built Nohab diesels (with General Motors engines) easily haul tonnage trains over grades where, until recently, some strained to maintain traction.

Two through passenger trains daily—a day train and an overnight with first and second-class sleepers—and two freight trains daily in each direction, make the through run, augmented by extras when other transportation comes to a standstill in winter. Most of Norway's city dwellers head for mountain ski resorts over the Easter holidays and nine steam locomotives come out of storage, hauling all available passenger equipment to cope with the seasonal surge.

One of the major railroad construction jobs of the day has been quietly progressing on Norway's Bergen line. Two contiguous bores, the first approximately five miles in length, and the second nearly two, will permit abandonment of approximately 13 miles of winding mountain railway, forming, in fact, a straight line across an "S" like the dollar ($) sign. "Unique" is a word to use with caution but I think "one of its kind" does apply to the arrangements through which this major railroad improvement has been made possible. The big tunnel project is a private one. The Norwegian State Railways will pay for use of the line by an amount equal to the savings obtained through the use of the much shorter route and from abandonment of the former line.

Not a bad device that might well be used here where equity capital is no longer readily available for major line changes.

—R. G. Lewis.

● **Value analysis.** W. W. Parks, chief engineer for the Vapor Corp. told how value analysis engineering has paid off at Vapor. He described the goal of Vapor's program as being to "develop a value-oriented climate within the company so that all people making decisions on an every-day basis continue to think in terms of value." Mr. Parks, describing value analysis as a "questioning attitude," listed six key questions ideally used upon all problems or decision-requiring situations: "What is it? What does it do? What does it cost? What is it worth? What else will do the job? What does that cost?"

Mr. Parks said the company's entire managerial staff is being trained for using the questioning attitudes about operations. Quarterly training sessions, three hours a day for ten days, are being used to train Vapor's personnel down to the foremen and lower. Two seminars have been completed so far, said Mr. Parks. "One product was selected for each of the seminars. We decided it would be better to pick a tough project than an easy one. In the two seminars completed thus far we

have averaged 11.2% savings at the cost level—and have incorporated into production approximately 75% of the recommended changes to date. Through 1968, which is the entire program we see for these two products, we expect to realize savings of $145,410. To accomplish these savings we have invested 480 man-hours which includes instructors from our own organization. This averages out to $303 worth of savings per man-hour expended. If our time is worth $10 an hour—we are still operating at a 30-1 ratio."

● **15-to-1 return.** H. C. Hermann, manager of administrative sciences for the Union Tank Co. pointed out to the RSMA meeting that excess costs tend to creep into any operation but that proper techniques can lead to effective cost cutting. "Value analysis is function oriented," said Mr. Hermann. He pointed out that cost prevention is not the same thing as cost reduction. "Conventional cost reduction techniques are method oriented rather than function oriented." He described Union Tank's five steps in value analysis: "Information gathering, developing basic data; speculative—investigation of alternatives; evaluation; decision; execution."

Union Tank is getting a 15-to-1 return from investment in value analysis. Out of one value-analysis seminar costing approximately $3,000 came potential savings of $100,000. Side values developed in the feeling of contribution felt by employees.

● **MP's method.** Donald H. Rettinger, P&S industrial engineer for Missouri Pacific, told the RSMA members of MP's four-pronged attack upon stock: "Our first step was to reduce the amount of obsolete material on hand; second, we have placed rigid controls on high dollar volume items through the use of the ABC method of inventory control; third, we have developed and are presently using an economic ordering quantity book so as to standardize system-wide our ordering procedures; and fourth, we have printed and distributed a new MoPac stores stock materials catalogue."

Mainly, however, he described MP's use of an IBM 305 Ramac since 1959 to control inventories. "Presently we are carrying about 40,000 items on the Ramac at seven store points—and our system stores stock inventory amounts to $4,200,000. When we first went on the Ramac our inventory was over $8,000,000. We feel this is just the beginning." Mr. Rettinger went on to describe the way the newly created industrial engineering department, which was asked to study stores and inventory control, effected almost a 20% cut in stores stock inventory by comparing—on magnetic tapes—use during the past 15 months against MP's last physical inventory. "Approximately 8,000 specific items were listed as having had no usage on the entire system for 15 months. Total inventory value of the items was $849,000. Cost of possession annually was over $144,000." After checking with using departments for possible exceptions, MP's P&S department advised storekeepers to order none of that material in the future and immediately listed the material for sale as surplus. Noted Mr. Rettinger: "We are now in the process of trying to sell this material. So far our sales have not been booming, for it appears other railroads throughout the country might have similar type inventory control problems. In the future our plan is to rerun this no-usage project annually. During the interim we have made provisions to mark distinctly and keep everyone concerned aware of these slow-moving items in our stores stock." Mr. Rettinger stated MP's expectations from its program: "We expect to reduce our inventory by approximately $1,200,000 within the next two years. We expect to delete about 8,000 items from our inventory records—and we also expect to get the added advantage of standard, more efficient operating procedures throughout our stores."

● **Pointers for P&S.** Other aspects of materials management techniques covered by the RSMA conference were touched on by New York Central's vice president—purchases & stores, M. P. Richards, who pointed out that intelligent buying on Class One railroads in the last decade has reduced inventory by 40%. He mentioned ways P&S men can help improve profits through materials management: review prices continuously; concentrate on repeat, high dollar items; know character of material manufactured and its use—and spend time in shops and in supplier factories.

Systems approach

B. W. Hupp, partner in Drake, Starzman, Sheahan & Barclay, told the RSMA audience that "don't handle" and "let the handlers do the handling," were key aspects of alert materials management. He pointed out that small, inexpensive items are, frequently, not worth the cost of elaborate stores mechanisms needed to store and service them. He asked that P&S men achieve standards by physical observation and familiarity with what men actually engaged in doing the work do: "Make sure that the people doing the handling don't drown in paper work." "Think in terms of systems—complete operations—concentrate work around workers—use gravity bins, carousel conveyors and other equipment for efficient materials handling."

● **AAR contribution.** J. K. McCann, general storekeeper for the Burlington, told the RSMA of the development work in materials management that had been performed in years past by the AAR P&S Committee #15—how everything from materials handling, inventory problems and facility usage-to-value studies had been performed over the years by committee visits to 17 railroads at 38 locations. He indicated the vast complex of track facilities, storehouses, machines for materials handling, locomotives, conveyors, platforms, roads, tractors, and trucks that are at the heart of good materials management in rail operation.

S. G. Van Arsdell, manager of stores for the C&NW, talked about materials management in car shop operations—and traced the natural division of interest inherent in such manufacturing operations: how the production department wants mountains of materials, to prevent any possible shut-down due to lack of material, and how the financial department wants little or nothing in the way of inventory—to prevent committing money that could be used elsewhere with effect. He described how C&NW's management regards high inventory turnover with satisfaction—but reacts with alarm to low turnover coupled with rising inventory.

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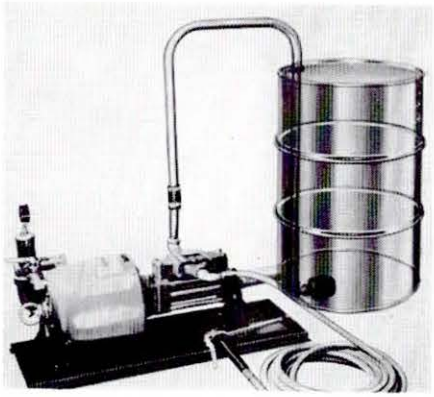

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The Topper high-pressure, air-operated pumps are said to be particularly suited for heavy-duty railroad cleaning operations. Pressure ratios range from 2:1 to 10:1, developing a high-velocity spray action that readily removes dirt, grease, and other soils from equipment surfaces. Strong acid or alkaline solutions can be used for paint stripping, degreasing, carbon removal, or descaling. Two stationary and three portable models are available. *Wyandotte Chemicals Corp.*

Structural Fasteners (RA-2)

Tests are said to show that bridges, railway cars, and other structures can be designed using the C50L hi-tensile Huckbolt fasteners with the same allowable stresses used with ASTM-A325 high-strength bolts. Fastener diameters are ¼, ⅝, ¾, ⅞ and 1 in. Installation is an automatic process using a 5,000 psi hydraulic tool that permanently swages a metal collar into the fastener's locking grooves while the fastener is under tension. *Huck Manufacturing Co.*

Airless Spray Unit (RA-3)

The Economy Model airless spray unit for use with 5-gal. containers is designed for single gun application of primers and non-corrosive paints. The manufacturer states it sells for 17% less than similar models. It features a 25-to-1 pumping ratio. A 2¾-in. diameter air motor delivers 0.88-oz per cycle. The model 39 aluminum gun has a stainless-steel head, tungsten carbide shut-off valve and seat and edge type filter. *Binks Manufacturing Co.*

Hydraulic Cylinders (RA-4)

The Series 2L medium-duty hydraulic cylinders, with 1,000 psi maximum operating pressures, are for use with 1,000 psi pumps and are available in nine bore sizes—1 in. through 8 in. New, faster-acting floating cushions are optional, as well as leak-proof SAE straight thread ports. The cylinders have square steel heads and caps of tie-rod design and meet JIC specifications. Piston-rod diameters range from ½ through 5½ in. *Parker-Hannifin Corp.*

Battery Chargers (RA-5)

GRR silicon controlled, rectifier type chargers for motorized hand and driver-ride electric trucks restore batteries to full capacity in an 8-hr period, not exceeding 2.5 amp per each 100-amp-hr battery capacity. A low-power d-c current transformer circuit insures proper voltage, and current is limited to charger rating. Sizes range from 6 through 18 cells in 1 or 3 phase, 120/240/220 and 440 volts, 60 cycles. *Gould-National Batteries, Inc.*

Electrode Boilers (RA-6)

Electrode boilers from 2 to 60 bhp, operating from 15 to 500 psig, can be used for standby heating and off-season steam supply. On wheels, they may be used as portable steam cleaners where oil-fired steam cleaners cannot be used; only an electrical connection is required. The water, acting as a conductor, heats as the electricity passes from one to the other of three electrodes suspended in a pressure vessel, generating steam. *Electric Boiler Corp.*

RAILWAY AGE WEEKLY

PLEASE SEND ADDITIONAL INFORMATION ABOUT PRODUCTS ADVERTISED ON PAGES 2 3 4 6 8 11 13 20-21 26 37 38

PLEASE SEND ADDITIONAL INFORMATION ABOUT PRODUCTS DESCRIBED ON PAGES 27 and 28 MARKED RA-1 RA-2 RA-3 RA-4 RA-5 RA-6 RA-7 RA-8 RA-9 RA-10

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4/22/63

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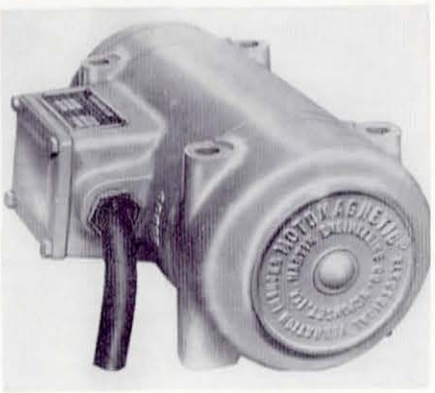
NEW PRODUCTS REPORT

Bolted Bulkheads (RA-7)

The Evans one-piece DF-B damage-prevention devices now include a bulkhead made of aluminum extrusions framed in steel and bolted rather than welded. Each section is an extruded beam of tongue-and-groove construction. There is no need to repair the entire bulkhead in case of damage; the steel outer-frame unbolts to permit replacement of any one of the aluminum sections. Each bulkhead is operated by one man by means of a single lever. *Evans Products Co.*



Vibrators (RA-8)

DVE electro-mechanical vibration inducers give maximum forces of 500, 800 and 1,400 lb to move grain, sand, cement, or chemicals out of hoppers, down chutes, and through screens. An external terminal box makes possible a 5-min change from one voltage to another (220 or 440). A built-in thermal sensor and switch-control may be had to prevent overheating when the vibrators are improperly mounted or in high ambient temperature areas. *Martin Engineering Co.*

Packaging Material (RA-9)

A compressed cellulose wadding, K-51 Kimpak, is a water-resistant product used to package precision parts for diesel engines, electric motors, and other electrical products. Cushioning is longitudinally compressed to one fifth its original volume for economy in shipment, storage and handling. In use, it can be expended to density suitable for item being packaged. Compressed material now used is 0.50 in. thick and 24 in. wide. *Kimberly-Clark Corp.*

Safety Tool (RA-10)

A safety tool, made with a serrated aluminum alloy head with a 48-in. hardwood handle, is designed to keep workers in the clear when positioning crane loads of steel plate, pallets, pipe, lumber, or other products, and to prevent caught-between accidents involving serious injury to hands and other parts of the body. It weighs only 24 oz. and can be used to push or pull loads suspended from crane hooks. *Albert W. Pendergast Safety Equipment Co.*

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4/22/63

Market Outlook

Carloadings Rise 1.8% Above Previous Week's

Loadings of revenue freight in the week ended April 13 totaled 556,081 cars, the Association of American Railroads announced on April 18. This was an increase of 10,016 cars, or 1.8%, compared with the previous week; an increase of 1,215 cars, or 0.2%, compared with the corresponding week last year; and an increase of 33,636 cars, or 6.4%, compared with the equivalent 1961 week.

REVENUE FREIGHT CARLOADINGS

For the week ended Saturday, April 13

District	1963	1962	1961
Eastern	79,514	81,988	77,455
Allegheny	95,456	95,561	82,289
Pocahontas ...	54,434	52,405	44,231
Southern	115,150	110,009	107,497
Northwestern .	58,753	60,479	57,063
Central Western	113,557	115,439	114,071
Southwestern .	39,217	38,958	39,839
Total Western Districts	211,527	214,903	210,973
Total All Roads	556,081	554,866	522,445
Commodities:			
Grain and grain products ...	52,275	52,131	49,894
Livestock	3,177	4,164	4,180
Coal	108,484	100,746	89,887
Coke	8,115	8,644	5,639
Forest Products	35,783	35,114	36,626
Ore	17,902	19,567	14,333
Merchandise LCL	18,539	24,251	30,134
Miscellaneous .	311,806	310,249	291,752
April 13	556,081	554,866	522,445
April 6	546,065	547,674	505,930
March 30	558,611	565,098	506,917
March 23	534,999	555,873	500,333
March 16	517,213	545,434	506,583
Cumulative total, 15 weeks .	7,702,588	8,004,602	7,412,660

PIGGYBACK CARLOADINGS—U.S. piggyback loadings for the week ended April 6 totaled 16,099 cars, compared with 13,806 for the corresponding 1962 week. Loadings for 1963 up to April 6 totaled 202,998 cars, compared with 177,708 for the corresponding period of 1962.

IN CANADA.—Carloadings for the ten-day period ended March 31 totaled 78,456 cars, compared with 60,619 for the previous seven-day period, according to the Dominion Bureau of Statistics.

	Revenue Cars Loaded	Total Cars Rec'd from Connections
Totals for Canada		
March 31, 1963	78,456	32,086
March 31, 1962	92,387	35,650
Cumulative Totals		
March 31, 1963	769,984	43,800
March 31, 1962	786,694	43,184

New Equipment

FREIGHT-TRAIN CARS

► *Atlanta & West Point—Western Railway of Alabama.*—Orders have been placed with Pullman-Standard for 20 70-ton 50½-ft cushion underframe box cars for the A&WP, and 20 for the WRA. Total cost of the cars, which will be delivered in May, is $600,000.

► *Frisco.*—Ordered 50 53½-ft, 70-ton bulkhead flat cars equipped with one-piece cast-steel underframes, upright ends, and laterally adjustable tie-down equipment from General Steel Industries for delivery in third quarter at a cost of $861,000.

► *Illinois Central.*—Ordered 200 53½-ft, 50-ton bulkhead flat cars from Bethlehem Steel at a cost of approximately $2.3 million. Delivery of 171 of the cars is scheduled during May and June. The remaining 29 cars, which will be equipped with tie-down chains and load binders for lumber, will be delivered during August.

► *Maine Central.*—Ordered 200 50-ft 70-ton box cars costing more than $2.5 million from Magor. Fifty of the cars will have cushion underframes, and all will have aluminum roofs and 9-ft doors. Delivery is scheduled for September.

► *New York Central.*—Ordered 12 100-ton covered hoppers from ACF at a cost of $152,000.

► *Santa Fe.*—Ordered 50 70-ton, 2,600-cu-ft-capacity Airslide, covered hopper cars from General American for delivery in June; and 100 53½-ft, 70-ton wallboard flat cars equipped with shock control and roller bearings from Magor for delivery in July and August.

PASSENGER-TRAIN CARS

► *New York Port Authority.*—Will receive bids on April 23 for 250 rapid-transit cars for service on the former Hudson & Manhattan line. Although the Authority is still awaiting a U.S. Supreme Court ruling on the legality of its take-over of the H&M (RA, April 15, p. 35) it will go ahead with plans for a three-month evaluation of the bids. A contract will be awarded when the Authority is in a legal position to negotiate one.

LOCOMOTIVES

► *Louisville & Nashville.*—Ordered 20 2,250-hp GP-30 diesel-electric locomotives from EMD and four 2,500-hp U25B units from General Electric for delivery in May. L&N also purchased nine 1,600-hp Alco road-switchers from the Rutland.

FOREIGN

► *Thailand State Railway.*—Ordered 40 1,200-hp diesel-electric locomotives from General Electric. Designed for use on Thailand's meter-gauge (38⅜ in.) system, the locomotives will be suitable for both passenger and freight operations in temperatures up to 110 degrees Fahrenheit and severe moisture conditions. Shipment from GE's Erie, Pa., plant is scheduled for the second half of 1963. GE locomotives are currently operating in more than 50 countries.

(Continued on next page)

New Facilities

► *Canadian National.*—Projects authorized by CN to cost in excess of $50,000 include 46 miles of CTC installation from Carman Junction near Winnipeg to the east end of Portage la Prairie; relaying 295 miles of rail; installing 176,400 rail anchors and 180,170 track ties; 494,000 yards of ballast and 172,000 yards of pit run ballast; rip rap in British Columbia; work on the New Sarcee Yard near Calgary; box car cleaning at Edmonton; a siding extension at Albreda Subdivision, B.C., lining tunnels on the Yale Subdivision, B.C., and installing CTC on the Unity, Viking, Wabamun and Brule Subdivisions, Alberta. Work will be performed by company forces. Work being done by both company forces and contractors includes: bank widening; various grade stabilization projects; grade stabilization at four locations in B.C.; stabilization at Mt. Lehman, B.C.; construct mooring wing at Ferry Slip, and a windfall spur at Whitecourt. Contracts will be placed for elimination of Messiter tunnel, Clearwater, B.C. and for asphalt surfacing approaches to Dugald Road overpass near Winnipeg on provincial highway No. 15.

► *Chicago South Shore & South Bend.*—Will construct a bridge over Indiana State Highway 39, east of Michigan City, at an estimated cost of $323,000.

► *Illinois Power Co.*—Ordered inductive carrier equipment from Union Switch & Signal division of WABCO for remote control of a diesel-electric switcher at its Wood River, Ill., power station. Operator will carry a portable control unit.

► *Long Island.*—Ordered field signal equipment and a TCC control machine from Union Switch & Signal division of WABCO to control the Port Jefferson and Divide Area interlockings. The TCC machine will be at Hicksville, N.Y.

► *Louisville & Nashville.*—Company forces will build eight additional classification tracks at Tilford Yard, Atlanta, Ga., at a cost of $437,000; construct a yard at Atkinson, Ky., remove present facilities at Earlington, Ky., and relocate White City Branch connection at an estimated cost of $1,745,236; relocate a portion of main track and construct coal handling tracks, plant tracks and related facilities in connection with construction of the TVA Bull Run Steam Plant at Edgemoor, Tenn.; build an industrial lead track at Jackson, Tenn., to serve Madison County's Industrial Park; continue installation of three hotbox detectors on the K&A division, one on the CV division, and one on the Louisville division at an estimated cost of $105,000.

► *Northern Pacific.*—Placed a $100,000 order for two-way radio equipment with Motorola Inc. Included in the order are transistorized portable radios and 77 Motrac 64/12-volt radio sets for installation on locomotives.

► *Norfolk & Western.*—Ordered car retarder conversion materials from Union Switch & Signal division of WABCO to convert an existing 24-cylinder electro-pneumatic car retarder at Portsmouth, Ohio yard to a model 32.

'Big John' Wins Big In Court

The Supreme Court has ruled that Southern's 'Big John' rates were illegally stayed by courts.

The United States Supreme Court has ruled that the tariff-suspension authority granted to the ICC by the Interstate Commerce Act is exclusive, and that the courts may not extend the period for which a rate change may be stayed. The ruling came in the case involving Southern's proposal to reduce rates for multiple-car shipments of grain in its "Big John" hoppers.

The principal feature of the proposal, which has been cleared by the ICC's Division 2 (RA, Feb. 4, p. 34), is a 60% rate cut on straight or mixed shipments of grain, minimum 450 tons in five cars, moving from Mississippi and Ohio river crossings to the South and Southeast. The case at the ICC (I&S No. 7656) has been given status as a proceeding which involves an issue of "general transportation importance." That permitted appeal of Division 2's decision to the entire Commission before which petitions for reconsideration are now pending.

The rates were published originally to become effective Aug. 10, 1961, but have been suspended since. The Commission suspended them for the seven-months limit of its suspension power, Southern voluntarily postponed them for another five months, and they were then stayed by court actions responsive to appeals filed by barge lines competing for the traffic at stake.

● **Southern hails decision.** The Supreme Court's ruling came April 15, but there was no immediate announcement as to when the rates would become effective. D. W. Brosnan, president of the Southern, said they would be installed as soon as possible. He hailed the court's decision as "one that will put $100,000 a day in the pockets of the people of the Southeast who already have lost $50 million due to the 21-month delay caused by a few opponents of the lower grain freight rates."

The decision was made by a 6-to-3

vote of the Supreme Court, and it was announced in an opinion written by Justice Brennan. Dissenters were Chief Justice Warren and Justice Black and Clark, the latter being author of the dissenting opinion which got under way by asserting that the majority action "sounds the death knell to barge transportation on the Tennessee river." While the majority indicated that it did not consider such a prospect a valid basis for finding that the courts still have tariff-suspension powers, it also said there was an "absence of any decisive showing" that the complaining barge line, Arrow Transportation Company, would "suffer this misfortune."

The decision affirmed rulings of lower courts which had refused to suspend the rates beyond the time it took them to make their decisions. The subsequent suspension, pending the Supreme Court's present action, was pursuant to an order of its Justice Black.

The majority opinion reviewed the history of the suspension power, which the courts exercised, with results that "were not satisfactory," until the Mann-Elkins Act gave it to the Commission in 1910. There was also reference to changes in the Commission's suspension powers during the "nearly two decades" after 1910 that the matter was in controversy. "We cannot believe that the Congress would have given such detailed consideration to the period of suspension unless it meant thereby to withdraw from the judiciary any pre-existing power to grant injunctive relief," the court added.

● **Congressional concern.** It went on to admit that nothing in the legislative history of the suspension power indicated that Congress had the interests of competing carriers in mind, its obvious concern having been with the power as it affected carriers and their customers. That did not bother the court, however, because "conflicts over rates between competing carriers were familiar" before the 1910 amendments were enacted, and those amendments not only gave the Commission tariff-suspension power — in what is now Section 4 (2), they also "dealt explicitly with the reduction of rates by railroads competing with water carriers."

The court went on to suggest that Section 8 "might be available . . . to a competitor claiming that a proposed rate reduction had been grossly discriminatory." At the same time, however, the court emphasized that it had no occasion here to decide that question. It added: "Our holding today, therefore, means only that the injunction remedy is not available to these petitioners, just as it is unavailable to shippers." Section 8 says:

"That in case any common carrier subject to the provisions of this part shall do, cause to be done, or permit to be done any act, matter, or thing in this part prohibited or declared to be unlawful, or shall omit to do any act, matter, or thing in this part required to be done, such common carrier shall be liable to the person or persons injured thereby for the full amount of damages sustained in consequence of any such violation of the provisions of this part, together with a reasonable counsel or attorney's fee, to be fixed by the court in every case of recovery, which attorney's fee shall be taxed and collected as part of the costs in the case."

● **Arguments presented.** The dissenting opinion argued that the Commission's suspension power and power of the courts to stay rate changes "are of an entirely different character." The argument included the following:

"The Commission has a broad general discretion to suspend proposed new rates for a limited period pending investigation. The court, on the other hand, can act only in compelling circumstances to prevent an irreparable injury . . . The exercise of these judicial powers is but in aid of and ancillary to the temporary suspension power of the Commission and supports rather than interferes with the latter's jurisdiction.

In rejecting the idea that the grant of suspension power to the Commission deprived the courts of jurisdiction, the dissenters called that "a strange way to dispose of judicial power." They attributed "no such purblindness" to Congress, because "whenever Congress wanted to oust the jurisdiction of the courts it not only knew how to do it but did so in no uncertain terms."

"This case," the dissent said in closing, "presents a situation perculiarly appropriate for the exercise of the inherent equity jurisdiction of a federal court to supplement the now-exhausted suspension power of the Commission, consistent with the Commission's conclusion that such suspension is in the public interest and consistent with the affirmative mandate of the Congress in the National Transportation Policy."

Coal Moves Under New Rates

Pittsburgh & Lake Erie's first coal train to operate under new reduced rates for solid trainloads is shown en route from West Virginia to a utility near Albany, N.Y. The 7,000-ton fuel shipment, carried in 105 hoppers, originated on the Monongahela Railway in West Virginia, and traveled 110 miles over the P&LE.

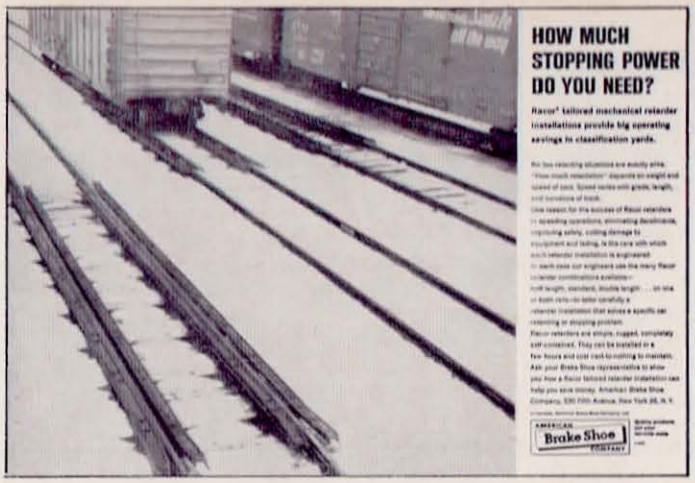
Education Gap In Transportation?

Professional transportation education is needed both at middle-management levels and in universities for students planning transportation careers, according to Eliezer Krumbein, director of education at Northwestern University's Transportation Center.

Mr. Krumbein, describing an eight-week program for students and transport men, told the Industrial Traffic Council of the Chicago Association of Commerce & Industry that most transportation people, from 50 to 80% of all those holding positions with shippers, carriers and government agencies, lack the training necessary to relate their problems to those of the industry as a whole and to deal creatively with them. He said the problem is particularly acute at middle-management levels from which organizations draw their future top executives.

Mr. Krumbein placed the blame for this situation, which he said tends to hold profits down and prohibit optimum service, on the decline of transportation departments in the universities ("All too frequently transportation in the university has become a rather stilted description of a not too happy status quo") and failure on the part of shippers and carriers to emphasize in-service training. Too often, he told the group, transportation men are restricted by their day-to-day responsibilities from preparing themselves for the more difficult jobs to come.

Expediency often determines action when there is a problem to solve, he said, and too little attention is paid to the effect of advancing technology, population and market changes, basic economics, and regulatory law.


HOW MUCH STOPPING POWER DO YOU NEED?
Racor® tailored mechanical retarder installations provide big operating savings in classification yards.
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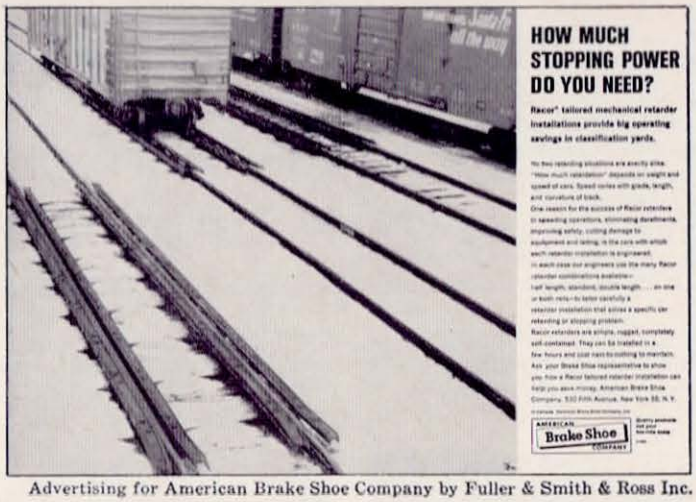
HOW MUCH STOPPING POWER DO YOU NEED?
Racor® tailored mechanical retarder installations provide big operating savings in classification yards.
AMERICAN Brake Shoe COMPANY

Advertising for American Brake Shoe Company by Fuller & Smith & Ross Inc.

What's the difference between these two ads?

They're identical in every respect – but one.

The first ad reached railroad *management* in Railway Age. And the second reached railroad engineering officers and supervisors in Railway Track and Structures.

That's because American Brake Shoe wanted to talk to *both* groups in depth, as the logical buying influences for car retarders. In this instance, the same ad was right for both.

In other situations, this leading manufacturer uses *different* ads for Railway Age and for the specialized publications of the Railway Age Group.

And if the emphasis is on *one* group – let's say *management* – American Brake Shoe runs advertising in Railway Age alone.

That's flexibility! That's the beauty of a buy in the Railway Age Group–Railway Age and the four specialized railway monthlies.

You can hand-tailor your audience precisely to your needs. You never have to pay for waste circulation, because you never have to buy it. And that's only half the story.

No deadheads

In the Railway Age Group, your ads are read with real interest. Readership of Railway Age is the most thorough of *any* of the 19 business publications studied by Mills Shepard, Inc. One reason, of course, is that every copy of Railway Age's circulation on the railroads is a *paid subscription* copy.

No wonder American Brake Shoe placed 48 pages of advertising in the Railway Age Group during 1962. No wonder more than 70% of *all* advertising in the railroad business magazines appears in the Railway Age Group! Ask your Railway Age man for the full story. Simmons-Boardman Publishing Corporation, 30 Church Street, New York 7, N. Y. WO 4-3060.

THE RAILWAY AGE GROUP

Railway Age • Railway Track and Structures • Railway Locomotives and Cars • Railway Purchases and Stores • Railway Signaling and Communications • International Railway Journal

PEOPLE

BANGOR & AROOSTOOK.—Harold G. White named assistant to vice president—finance. Mr. White, who has been with the Union Bag-Camp Paper Corp., of New York, will continue to reside in Emerson, N.J. He will devote his time primarily to subsidiaries of the corporation located outside the state of Maine.

BURLINGTON.—Robert J. Krier, traveling freight agent, Milwaukee, Wis., advanced to general agent there, replacing **D. W. Hubert,** transferred.

CANADIAN NATIONAL.—R. J. Hartrick appointed superintendent, express freight, British Columbia Area, Vancouver, B.C., with jurisdiction over CN express and LCL freight operations. Mr. Hartrick was formerly B.C. operations manager, East-West Transport truck line, which was recently absorbed into Midland Superior Express, wholly-owned CN truck subsidiary.

CHICAGO & NORTH WESTERN.—Jordan J. Hillman, associate general counsel, Chicago, appointed general counsel there, replacing **Carl McGowan,** resigned.

ERIE-LACKAWANNA.—Fred Diegtel, assistant vice president—labor relations, Cleveland, elected vice president—operations, succeeding **Garret C. White,** who retired March 31.

Valentine J. Derner, freight agent at Duane Street Station, promoted to assistant superintendent of lighterage, succeeding **John J. Sullivan,** retired. Mr. Derner is succeeded by **Joseph K. Cubby.**

GULF, MOBILE & OHIO.—William R. Davis appointed freight traffic agent, Kansas City, Mo.

ILLINOIS CENTRAL.—Harold V. Bostock, manager, employees' suggestion system, Chicago, appointed manager of personnel development there. His successor is **Donald P. Schultz,** assistant manager, employees' suggestion system.

ILLINOIS TERMINAL.—R. B. White, assistant to chief engineer, St. Louis, retired April 19.

KANSAS CITY SOUTHERN.—W. M. Barnthouse, division storekeeper, Shreveport, La., and **C. J. Kubler,** general storekeeper, Pittsburgh, Kans., retire April 30.

LOUISVILLE & NASHVILLE.—A. Thomas Basham named assistant to manager, piggyback rates, Louisville, Ky., replacing **Joseph E. McDaniel, Jr.,** advanced to assistant to general freight agent-rates and charges there. **Anthony C. Frerman** and **Richard H. Swan** named assistants to general freight agent-rates and charges, Louisville.

MILWAUKEE.—G. J. Barry, assistant superintendent, Milwaukee, Wis., appointed superintendent, Milwaukee-Kansas City Southern Joint Agency, Kansas City, Mo. Mr. Barry's successor is **S. O. Jones,** assistant superintendent, Marion, Iowa, who in turn is replaced by **J. F. Elder,** trainmaster, Mobridge, S.D. **E. J. Lynam,** chief dispatcher, Deer Lodge, Mont., named to succeed Mr. Elder. **G. W. Riley,** trainmaster, Minneapolis, named assistant superintendent, Portage, Wis. **N. R. Meyer** replaces Mr. Riley. **P. C. White** appointed trainmaster, Milwaukee, to succeed **R. L. Martin,** advanced to assistant superintendent, Sioux City, Iowa.

MISSOURI PACIFIC.—John A. Mincy, chief

clerk to regional sales manager, Kansas City, named district sales manager, Fresno, Calif.

MONON.—P. T. diLustro, appointed national sales manager, Chicago, to replace **C. L. Froelich,** resigned. **H. E. Harlan** named southern sales manager, Atlanta, succeeding **W. F. Smith,** retired.

NICKEL PLATE.—Vernon E. Coe, general superintendent, temporarily assigned to special duties under the general manager, Cleveland. **Glen W. Mathews,** assistant general superintendent, named acting general superintendent, Bellevue, Ohio. **Melvin J. Bickel,** superintendent, Wheeling & Lake Erie district, will be acting assistant general superintendent, Bellevue; **Francis J. McGuirk,** assistant superintendent, Lake Erie & Western district, Muncie, Ind., named superintendent, Wheeling & Lake Erie district, Brewster, Ohio.

NORTHERN PACIFIC.—H. G. Knudsen, acting shop superintendent, Brainerd, Minn., appointed shop superintendent there, to replace the late **J. C. Bekemans.**

PIEDMONT & NORTHERN.—Franklin Way, general manager, Charlotte, N.C., elected vice president and general manager at that city.

ROCK ISLAND.—James N. Hunt, western traffic manager, San Francisco, retires April 30.

SOUTHERN PACIFIC.—Needham P. Cain appointed electrical engineer, San Francisco, succeeding **C. O. Kramer,** resigned.

TERMINAL RAILROAD ASSN. OF ST. LOUIS.—Marvin L. Smith, assistant vice president-operation, Missouri Pacific, appointed acting president, TRRA, to succeed **Gregory W. Maxwell,** resigned.

Supply Trade

Stuart H. Smith, vice president of sales, **SKF Industries, Inc.,** has been elected vice president and assistant to the president. **Thomas F. Morris,** vice president of industrial relations, has been elected vice president in charge of distribution. Mr. Morris will now direct field and distributor sales, marketing, advertising and public relations.

Walter M. Cree, vice president—sales, **Edgewater Steel Co.,** Pittsburgh, Pa., has been elected vice president and secretary. **William O. Fleming,** manager of industrial sales, has been named general sales manager. **William G. Heiner, Jr.,** manager of railroad sales, assumes the newly created post of assistant general sales manager. **Harry B. Ecker** and **Richard H. Rea** have been appointed district managers at Philadelphia and New York, respectively.

Jack E. Edwards has been appointed sales engineer, **Sperry Products division of Automation Industries, Inc.,** Danbury, Conn., in Western New York and Northern Ohio.

John A. Burke, Jr., assistant manager, industrial sales, Newark, N.J., paint factory, **Pittsburgh Plate Glass Co.,** has been appointed director of transportation finishes sales, coatings and resins division, succeeding **William T. Carey,** who retired April 1 for health reasons but will serve in a consulting capacity.

Herman Bode, formerly chief chemist, Research Department, **Baltimore & Ohio,** has joined the Railway Sales department of **Cities Service Oil Co.,** at Baltimore, Md.

Fred Diegtel
E-L

Harold V. Bostock
IC

Stuart H. Smith
SKF

Thomas F. Morris
SKF

L. D. Mueller, field technical service representative, Central States District, **Dearborn Chemical Co.,** has been named sales representative for northern Indiana.

Philip E. Pierce has been appointed sales engineer of **Union Switch & Signal division of WABCO,** at Chicago.

The name of **Farrel-Birmingham Co.,** Ansonia, Conn., has been changed to **Farrel Corp.,** effective April 1.

Mel Kolker appointed to the newly created post of director of advertising, publicity and promotion, **Strick Trailers,** Fairless Hills, Pa.

William Naden, an executive vice president and director of **Humble Oil & Refining Co.** and former president of Esso Standard Oil Co., retired April 1.

Joseph T. Ryerson & Son, Inc., subsidiary of **Inland Steel Co.** announced the following appointments: Vice president finance and controller, **Duane R. Borst,** formerly controller; vice president, **Robert H. Wasz,** former assistant vice president—manufacturing and fabricating; assistant vice president and director procurement, **O. Robert Nottelmann,** former director of procurement; treasurer, **John S. Ure,** former director of credit and office administration.

Main headquarters of **SUPER CO.** (RA, March 18, p. 33) is at 2065 Montgomery Street, P.O. Box 566, Fort Worth, Tex.

Don L. Douglass has been named vice president-marketing, **Schield Bantam Co.,** Waverly, Iowa. He was formerly director of marketing, **Thew Shovel Co.,** Lorain, Ohio.

Alco Products, Inc., has reorganized and expanded its International Operations Division. The following appointments have been made: **A. R. Dilts,** planning economist; **T. L. Anderson,** manager, Central region (Africa); **W. C. Ballou,** manager, Eastern region (Near and Far East); **R. F. Sailors,** manager, Latin American region; and **F. L. Johnson,** manager of stationary and marine engines. Other recent appointments announced: **R. D. Zimmons,** manager of administration; **O. G. Dellacanonica,** chief engineer; **Lawrence Clements,** service manager. and **George Cooper,** manager of renewal parts.

General American Transportation Corp. has established a subsidiary, General American International, with headquarters at Paris, France, to coordinate all of the company's European business. **James I. Shaffer** has been named director.

Henry S. Hillinga, sales representative, West Coast District, **Dearborn Chemical Co.,** transferred to the Eastern District.

George W. Smith, Jr., general manager, Industrial Products Division, **Westinghouse Air Brake Co.,** Wilmerding, Pa., also has been elected a vice president.

Frank G. Hickey has been appointed vice president and general manager, Pump Hydraulic and Electrical Division, **Fairbanks, Morse & Co.,** Kansas City, Kan. Mr. Hickey was formerly vice president—sales of Tait Manufacturing Co., Dayton, Ohio.

James G. Tighe Co., 639 S. Warren Street, Syracuse 2, N.Y., has been named representative for **C & D Batteries, Division of The Electric Autolite Co.**

A. A. Wilson, district sales manager, **Graybar Electric Co.,** has been appointed Southeastern district manager, Richmond, Va., succeeding **W. E. James. E. A. Grimes,** district sales manager, promoted to Allegheny district manager, Pittsburgh, Pa.

Gerry O'Connor has been appointed sales administrator, Chicago office of **L. B. Foster Co.**

Union Railway Equipment Co. has named **John R. Sinding, John R. Sinding Co.,** Wynnewood, Pa., sales representative in the Philadelphia, New York, and Washington, D.C., territory.

John L. Tullis has been elected a vice president of **American Machine & Foundry Co.** at Shreveport, La. Mr. Tullis also was appointed group executive for a newly-organized AMF Industrial Product Group consisting of three of the company's subsidiaries — AMF Beaird, Inc., Shreveport, La.; Thermatool Corp., New Rochelle, N.Y.; and American Iron & Machine Works, Co., Inc., Oklahoma City, Okla. Mr. Tullis will continue as chairman and president of AMF Beaird and chairman of American Iron & Machine Works.

Christian H. Petersen, sales manager, **Paxton-Mitchell Co.,** Omaha, Neb., named vice president of marketing.

OBITUARY

George M. Carr, 55, purchasing agent, **Northern Pacific,** died March 26 at St. Paul, Minn.

Harry V. Green, 59, manager of the communications department, **Santa Fe,** Chicago, died April 8 in his home there.

Herbert C. Well, assistant vice president—traffic, **Erie-Lackawanna,** New York, died April 9.

Ernest M. Willis, 77, retired purchasing agent, **Northern Pacific,** died April 1 at St. Paul, Minn.

YOU OUGHT TO KNOW

A 10.28-cent-an-hour wage increase and participation in a health-welfare program has ended a contract dispute between the Railroad Yardmasters of America and 80 railroads. The pact gives RYA an $8 monthly increase in basic rates retroactive to March 3, 1962; an additional increase of 2½% retroactive to May 1, 1962; and new hospital, medical and surgical benefits effective May 1, 1963. Yardmasters will come under the Travelers Insurance Co. program originally negotiated by 11 non-op unions last year.

Relocation of main line tracks of the Canadian Pacific in downtown Calgary is part of a proposed $35 million development plan announced by the city and the railroad. The tracks would be relocated along the Bow River, where a new rail terminal will be built as part of a convention and transportation center.

ACF is nearing completion of field trials on a new concept of covered hopper car gravity discharge gate which triples the outlet area, thereby discharging all commodities faster and improving the handling of difficult commodities.

A new automatic scale to be installed by the Reading at its Reading yards will cause a number of changes in operations in the St. Clair Yard. By July 1, when the electronic scale facilities are expected to be in operation, export-coal trains bound for Philadelphia will be weighed at Reading instead of St. Clair. The new scale permits cars to be weighed in motion without being uncoupled. As part of the change in operations, the hump yard and repair shops at St. Clair will be closed, while work will increase at the Reading Shops. The railroad said the new arrangements will speed the delivery of coal to the piers, increase car utilization and reduce the number of cars required.

The ICC should be divested of its authority to prohibit rate reductions "simply because such reductions would adversely affect other carriers," a former president of the National Industrial Traffic League said last week. Grant Arnold, vice president-traffic, E.J. Lavino & Co., told the Philadelphia-Camden Railroad Community Committee that the shipping public is entitled to the benefits of fair competition in rates. The Commission, he said, "has enshrined the status quo and has prevented certain modes, the railroads in particular, from meeting the competition of other modes."

The piggyback bandwagon has picked up another railroad—the Upper Merion & Plymouth, a 12-mile carrier headquartered at Swedeland, Pa. UM&P is now offering piggyback service between its own line and a number of points in the Midwest. A wholly owned subsidiary of Alan Wood Steel Co., UM&P interchanges with the Reading and the Pennsylvania.

President Ernest S. Marsh of the Santa Fe has been named chairman for the railroad industry portion of the Treasury Department's Freedom Bond drive to major industries during May and June. Mr. Marsh appointed C. M. Roddewig, president, AWR; Stanfield Johnson, chairman, Association of Southeastern Railroads; and David I. Mackie, chairman, Eastern Railroad Presidents Conference, to his committee.

Employee training programs, and how they can be developed and improved, will be the subject of a four-day school for directors of railroad training programs at Southern Illinois University, Carbondale, May 20-23. Dr. Thomas J. Sinclair, manager of educational and group relations of the AAR, will be the principal speaker at a dinner meeting during the session.

Soo Line has filed a proposal with the Michigan Public Service Commission for centralized station agency service at Sault Ste. Marie and Manistique, Mich. The plan, if approved by the commission, would increase personalized service to shippers and improve communications with customers through centralization of operating functions, according to Soo Line's proposal. Soo Line will also file separate applications for dualization of station agencies at L'Anse and Baraga, White Pine and Bergland, Mich.

Alco earned $1,838,000 in 1962 on shipments of $98,719,000, and expects to exceed these earnings in 1963. President William G. Miller told stockholders at their April 16 annual meeting that Alco got 60% of U. S. export orders for mainline locomotives in 1962, now has a substantial backlog, and will maintain a strong position in foreign sales, but cautioned that 1962 orders may represent a peak difficult to beat. Mr. Miller estimates the domestic replacement market at 5,000 to 6,000 diesel-electric units in the next five years.

Piggyback shipments handled by U.S. Freight Co. last year amounted to 34% of all of the company's traffic, the firm's annual report states. Gross revenues from all sources amounted to more than $212 million, resulting in a new peak net income of $4.5 million.

L&D claims paid by truckers in 1962 amounted to 1.089% of their gross revenues, an American Trucking Associations survey indicates. The 1.089% figure is the actual claims ratio of 119 carriers who voluntarily submitted reports on L&D—and while these carriers, says ATA, "include less than 10% of the membership of the ATA National Freight Claim Council, the overall accuracy of the ratios obtained have been repeatedly affirmed by samplings of specific figures from a group of more than 350 carrier members of the council." The 119 reporting carriers paid claims totaling $17,080,931 in 1962. Salvage value of damaged shipments was $4,007,685, giving a net payment of $13,073,256.

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Who Wants A Strike?

Wishes are no preventive—Industrial strife must be arbitrated, or striking must be made more risky for the strikers than it is now.

Is it provident of the federal government merely to hope that there will be no railroad strike—and, hence, to take no steps to forestall such a catastrophe?

All of us hope that Mr. Khrushchev will not precipitate a nuclear war. Is our government thereby justified in taking no defensive measures—relying on hopes for our military protection?

The Association of American Railroads, and its president, Daniel P. Loomis, do not go along with this course of improvident optimism. For a number of years now, Mr. Loomis—who is the dean of railroad negotiators with the unions—has favored compulsory arbitration of union-management disputes in the railroad industry, when agreement cannot be reached by collective bargaining.

The cogency and logic of this position lies beyond successful contradiction. A strike is a form of warfare—where issues are settled, not on the basis of who is right and who is wrong, but on power of coercion. It is all very well, perhaps, to tolerate such industrial warfare—so long as it remains strictly "private," with no appreciable risk of damage to the public welfare. If cashiers in movie theaters want to indulge themselves in a strike, perhaps the public interest will not suffer.

But what about a strike of policemen—leaving the public at the mercy of cutthroats and gunmen? What about a strike of electric utility employees, at a time when the very lives of most people are dependent upon an uninterrupted flow of electric power? What about a general shut-down of railroads, cutting off the basic transportation on which the nation's economic life—and military safety—are so largely dependent?

There is absolutely no tenable argument that can justify strikes in areas where *continuous service* is required—as it is in police protection, in the electric and gas utilities, and in railroad transportation. Strikes are a serious matter in other basic industries—steel and coal, for example. But most commodities can be stockpiled in advance of a threatened strike—at least to the degree that a brief shut-down will do only a minimum of harm to the consuming public.

Police protection cannot be stockpiled—crimes committed while policemen are off the job cannot be erased by overtime work after the strike ends. Memory of the recent walk-out on the C&NW is too fresh to make it necessary to dwell upon the public harm that results from a railroad strike.

In view of the definite possibility that a general railroad strike *may* be called—and the full knowledge that there is now no legal means by which such a strike can be forbidden (after the emergency board reports)—what precautionary measures is the federal government taking?

The public officials in any way involved in the Pearl Harbor disaster were bitterly criticized. But what if these officials were fully aware a couple of months beforehand that the disaster was a distinct possibility, and even then had taken no preparatory defensive measures?

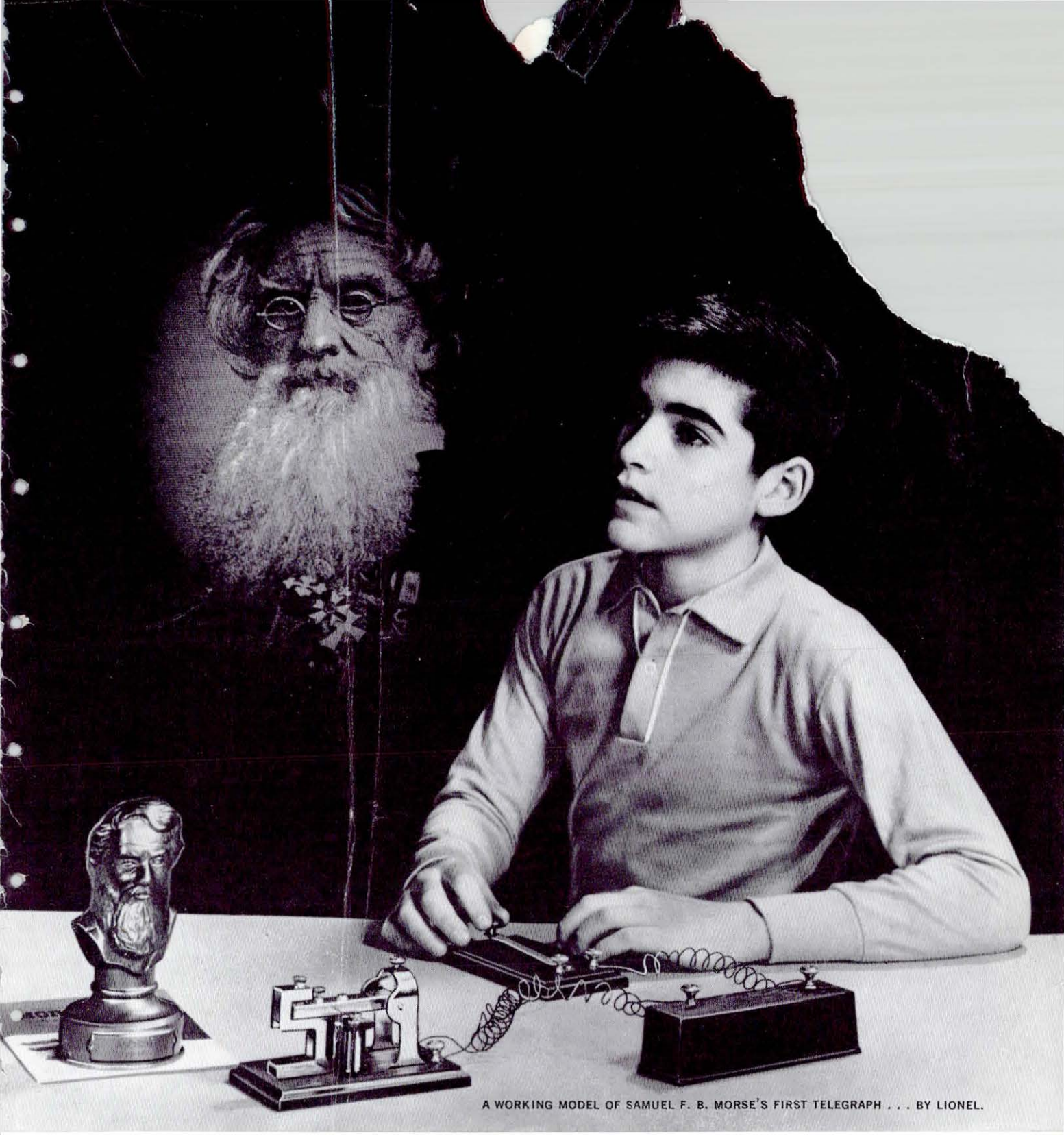
Most unionists are opposed to compulsory arbitration. Even some employers do not favor it—considering this device to be just one more invasion of the economy by the federal government. But, as Mr. Loomis has pointed out, the federal government has already thoroughly invaded the railroad business—to the point of detailed price fixing and supervision of operating practices.

Only the area of union relations is left to "free collective bargaining"—and the kind of "bargaining" that exists on railroads is one where all the firearms and ammunition (figuratively speaking) are in the hands of the union negotiators. All the railroads can do is to vote Yes (as the Germans did under Hitler), or find themselves with a strike on their hands. And their chances of winning a strike are not usually brilliant—since all the strikers receive generous unemployment compensation from funds furnished by the railroads.

Present Set-Up Foments Strife

Prior to the advent of the New Deal, when there was no "union shop" and employers were not forced to recognize a union against their will (and when railroads did not have to pay employees for striking)—union and management forces were rather evenly matched in the railroad industry. A strike was equally risky for both sides. Both sides sought to prevent strikes—and they were largely successful. That situation was completely altered by pro-union legislation during the past three decades.

The preservation of industrial peace on railroads is not solely a responsibility of unions and managements. It is also a responsibility of the federal government, which lays down the rules. The time to prepare to meet a crisis is before the crisis arrives. Preventive measures are usually much less drastic, and less painful, than those that are necessary after active hostilities begin.



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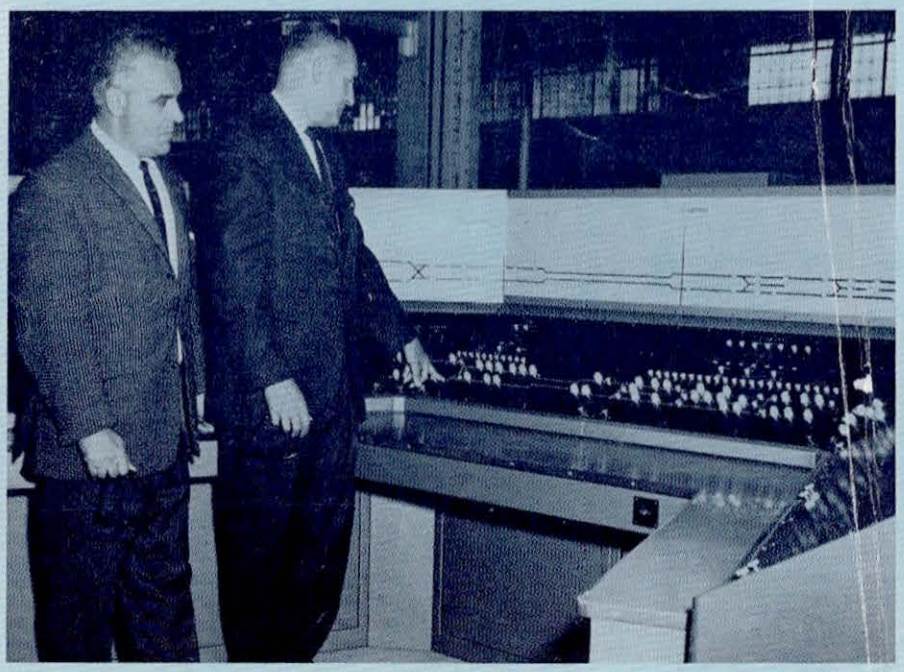
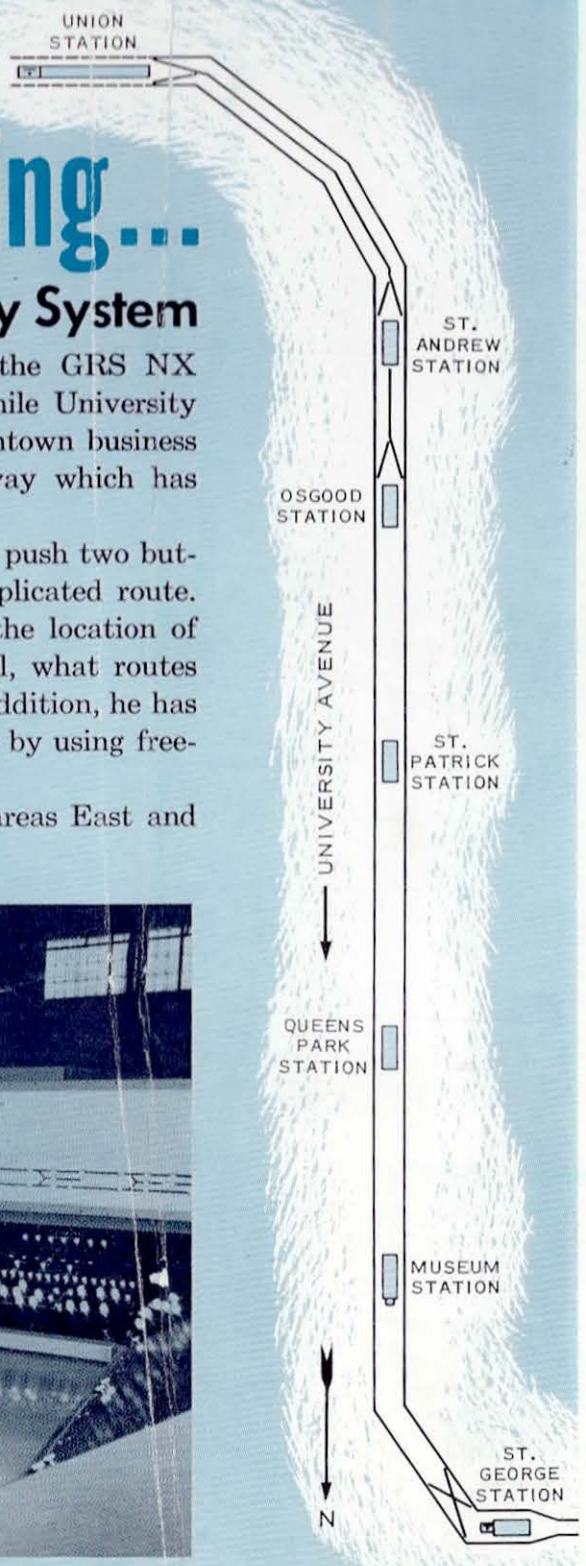


Fred Miles, left, Toronto Transit Commission Signal Design Supervisor, and Frank Scott, GRS Sales Engineer, inspect the new NX control machine.



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